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IN THE

Supreme Court of the United States

OCTOBER TERM, 1966.

No. ~~1094~~ 212

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FMC CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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vs.

FMC CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit entered in the above-entitled case on January 20, 1966, a rehearing of which was denied on March 10, 1966.

OPINIONS BELOW.

The district court gave an oral opinion not officially reported. The transcript of this opinion is included in the appendix attached hereto (App. 24). The court of appeals, in a split decision, affirmed the order of the district court. The opinion of the majority, as well as the dissenting opin-

ion, is reported at 356 F. 2d 449 (7th Cir. 1966) and 148 U. S. P. Q. 308.

JURISDICTION.

This is a suit arising under Title 28, Section 2201 of the United States Code (App. 15). The date of the judgment, which Petitioner seeks to have reviewed, is January 20, 1966. A petition for rehearing was denied by a two to one majority on March 10, 1966 (App. 24). The jurisdiction of this Court is invoked under Title 28, Section 1254(1) of the United States Code.

QUESTIONS PRESENTED.

1. Did the majority of the Court of Appeals for the Seventh Circuit err in holding as a matter of law that the amended complaint contained no viable charge of infringement sufficient to create an actual controversy to support a declaratory judgment suit, despite the express allegations made in the complaint, as exemplified by paragraph 16, which states:

> "Since the opinion of the Court of Appeals for the Fourth Circuit in *F. M. C. Corporation* v. *City of Greensboro,* 326 F. 2d 581, the defendant [respondent FMC] has continued to charge that use of plaintiff's [petitioner Walker] "Gaslifter" digester stirring equipment infringes said Letters No. 2,777,815. . . ."

2. If a process patentee, who sells unpatented equipment, harasses a competing equipment manufacturer by coercing municipal customers of the manufacturer, through subtle threats of infringement, either to refrain from purchasing the manufacturer's equipment or to demand indemnity against infringement, is it necessary to also have an "actual", "outstanding" or "viable" charge of infringement against the manufacturer or its customer to

establish a justiciable controversy between the manufacturer and the patentee?

3. Does a justiciable controversy exist between a patentee and a competing equipment manufacturer who was accused of inducing infringement of the patent in previous litigation between the patentee and a third person, which charges against the manufacturer were unresolved, and who, in order to obtain sales of its equipment, is required to indemnify its customers, at least some of whom practice the allegedly infringing process, against infringement of the patent?

STATEMENT OF THE CASE.

Walker and FMC are manufacturers of competing equipment for use in sewage sludge digestion. FMC is the owner of a United States patent to Forrest, No. 2,777,815, relating to a process for digesting sewage sludge. Walker manufactures and sells a "Gaslifter" stirrer which can be used in a manner which allegedly infringes the Forrest process patent.

Prior to this action, FMC had sued Walker and its customer, Greensboro, North Carolina, charging the city of Greensboro with infringement of the Forrest patent and *charging Walker with infringement by actively inducing infringement of the patent.* Walker was dismissed because it was not subject to venue in North Carolina. Walker defended that action because of an indemnity agreement it had with Greensboro. In September, 1962 the district court held the Forrest patent valid and infringed, 208 F. Supp. 494 (D. C. N. C. 1962).

While an appeal of the *Greensboro* suit was pending before the Court of Appeals for the Fourth Circuit, FMC sent to the trade letters and communications of such an

intimidating character that prospective customers refused to buy Walker's equipment "due to the possible patent infringement of the Walker Process . . ." (P. App.* 16) and fear of suit by FMC (P. App. 13, 14, 16-20). In some instances, as pleaded in the complaint in the instant suit, Walker was specifically required to agree to indemnify its customers against patent infringement of the Forrest patent (P. App. 3, Para. 7).

The court of appeals in the *Greensboro* suit reversed the trial court and held that the specific process used by Greensboro did not infringe the FMC patent, 326 F. 2d 581 (1964). Shortly thereafter, Walker initiated a declaratory judgment action under 28 U. S. C. § 2201 in the Northern District of Illinois challenging the Forrest patent. Walker's position was that the charge made by FMC against Walker in Greensboro, i.e., where a process performed by a Walker "Gaslifter" unit is accused of infringement, Walker is equally chargeable for "inducement to infringe", had never been resolved since Walker was not a party to that suit. Furthermore, the question of validity of the Forrest patent was still undecided since the court of appeals expressly refrained from considering its validity, 326 F. 2d at 581. The Greensboro litigation resolved only that Greensboro's specific process departed from the Forrest patent. FMC acknowledged this fact in a letter which it sent to consulting engineers for sewage treatment plants shortly after the Court of Appeals' decision (P. App. 9).

The amended complaint,** considered by the court below, alleges in part:

FMC offers licenses at a substantial royalty under its

* The appendix included herein will be referred to as (App. ....); the appendix of plaintiff-petitioner in the court below will be referred to as (P. App. ....).

** Walker filed an amended complaint pursuant to FRCP 15(a).

patent to customers and prospective customers of Walker, informing such customers that it is unsafe for them not to be free to practice the process of the Forrest patent (P. App. 2, Para. 5).

The amended complaint further recites that immediately after the *Greensboro* decision FMC circulated a letter (P. App. 9) to consulting engineers engaged in the design and construction of sewage treatment plants, said letter implying that the district court's holding of validity of the Forrest patent was unaffected by the decision of the court of appeals. These engineers were also advised the Greensboro decision was limited to the specific process employed by the City of Greensboro. The trade was further advised FMC would continue its licensing program (P. App. 4, Para. 13).

While both courts in the Greensboro litigation indicated that a particular type of process does not infringe the FMC patent, FMC's activities have been such as to create doubts as to what operations are free from infringement of the Forrest patent (P. App. 5, Para. 14, 15).

As a result of these and other acts of FMC, some prospective customers of Walker refuse to purchase Walker's equipment for fear of being involved in a patent suit instituted by FMC (P. App. 3, Para. 6).

In almost every sale of Walker's "Gaslifter" digester stirrers, Walker has been required to issue "hold harmless" agreements to its vendees (P. App. 3, Para. 6). Moreover, due to FMC's conduct, Walker has been required to issue hold harmless agreements against patent suits to contractors installing Walker's equipment (P. App. 3, Para. 7).

REASONS FOR GRANTING THE WRIT.

I. Contrary to the Opinion of the Majority, Walker's Complaint Expressly Sets Forth a Direct or Outstanding Charge of Infringement Which Creates a Justiciable Controversy.

The majority opinion, although acknowledging Walker was an interested party, stated explicitly that:

> "In view of the fact that there are no outstanding charges by FMC of infringement *by Walker or Walker's customers,* there is no justiciable controversy between the parties." (Emphasis added.) (App. 19.)

Further, the majority opinion concluded that:

> ". . . Walker's amended complaint . . . does not allege that FMC has charged *Walker* or *any of Walker's customers,* at any time since the Greensboro litigation, with any kind of infringement. . . ." (Emphasis added.) (App. 17-8.)

However, as correctly pointed out in the dissenting opinion, such a charge was, in fact, made in paragraph 16 of the amended complaint which states in part:

> "Since the opinion of the Court of Appeals for the Fourth Circuit in *F. M. C. Corporation* v. *City of Greensboro,* 326 F. 2d 851, the *defendant* [*respondent FMC*] *has continued to charge that use of plaintiff's* [*Petitioner Walker*] *"Gaslifter" digester stirring equipment infringes said Letters No. 2,777,815. . . .*" (Emphasis added.) (App. 21.)

F. R. C. P. 57 dictates that the procedure for obtaining a declaratory judgment "shall be in accordance with these rules. . . ." Certainly, the Federal Rules of Civil Procedure do not require, and even discourage, the pleading of detailed facts. This Court stated in *Conley* v. *Gibson,* 355 U. S. 41, 47 (1957):

> "". . . the Federal Rules of Civil Procedure do not re-

quire a claimant to set out in detail the facts upon which he bases his claim. To the contrary, all the Rules require is 'a short and plain statement of the claim' that will give the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests. . . ."

Paragraph 16 of petitioner's complaint expressly alleges a direct charge of infringement which is all that a declaratory judgment complaint is required to do. Going beyond such a pleading to show inability to prove such an allegation goes into a matter of evidence and not of pleading, 355 U. S. at 47-8.

II. The Court Erred in Applying the Rigorous Requirement That There Must Be an Actual, Outstanding or Viable Charge of Infringement by a Patentee in Order to Raise a Justiciable Controversy.

FMC is the owner of a "process" patent. It does not practice the process itself but rather, like Walker its competitor, manufactures and sells equipment which can be used in the process claimed in the Forrest patent. The practitioners of the process are municipalities or the like who furnish a service to the public and it is these users who have been recipients of FMC's letters and communications to the field which hedge on expressly charging anyone with infringement (P. App. 9) but rather recite that FMC is actively carrying out a licensing program relating to the Forrest patent. The obvious effect of FMC's campaign is that FMC can use its patent to harass an industry to such an extent that municipalities and others are afraid to buy Walker's equipment for fear FMC will sue them as a retaliatory measure. Moreover, FMC in using its patent as an economic, as well as a legal, weapon is able to sit back and pile up potential damages against the day when it may fit FMC's purposes to actually charge Walker or

someone else with infringement or inducement to infringe. Until that day arrives, FMC can, according to the rule of the court of appeals below, safely wield its economic club so long as it makes no "actual," "outstanding" or "viable" charge of infringement.

It is recognized by the courts that, by craftily phrasing the contents of letters or notices sent by patentees, direct and formal charges of infringement can be avoided. *King Kup Candies, Inc.* v. *H. B. Reese Candy Co.*, 134 F. Supp. 463, 466-67 (M. D. Pa. 1955). Thus, where the activities of the recipient of the letter or notice raise a reasonable doubt whether or not the patentee's patent is infringed, the effect of such letters or notices is to cause the recipient to either affiliate with patentee, on the terms dictated by the patentee, or be sued. To deny that a justiciable controversy exists simply because no direct charge of infringement has been made by the patentee "is to ignore the realities of business life." See 6 Moore, Federal Practice § 57.20 at 3121 (2d ed. 1965).

The courts, in accepting the spirit of the Declaratory Judgment Act, have held that:

> "In order to seek declaratory judgment relief as to the validity of a patent, the claim against plaintiff need not be formally asserted; furthermore, it is not necessary that notice be given directly to the plaintiff or that any threat be made to sue the plaintiff." *Rhodes Pharmacal Co.* v. *Dolcin Corp.*, 91 F. Supp. 87, 88 (S. D. N. Y. 1950), citing *Aralac, Inc.* v. *Hat Corp. of America*, 166 F. 2d 286, 292 (3d Cir. 1948).

In view of this, it is evident the Court of Appeals for the Seventh Circuit erroneously applied the *Aralac* case, supra, in holding there was no justiciable controversy "in view of the fact that there are no outstanding charges by FMC of infringement by Walker or Walker's customers. . . ." Courts have held repeatedly that no "actual",

"outstanding" or "viable" charge of infringement need be made by a patentee in order for a party to maintain a declaratory judgment action. For example, see *Dewey & Almy Chem. Co.* v. *American Anode, Inc.*, 137 F. 2d 68, 70 (3d Cir. 1943), cert. denied, 320 U. S. 761, 88 L. Ed. 454; *Millway Knitting Mills, Inc.* v. *Sanson Hosiery Mills, Inc.*, 108 F. Supp. 5 (E. D. Pa. 1952); *Girdler Corp.* v. *E. I. DuPont De Nemours & Co.*, 56 F. Supp. 871, 875 (D. Del. 1944).

The court of appeals used the expressions "no outstanding charges of infringement" and "no viable charge of infringement" in its opinion. These expressions, apparently synonymous with "no direct charge", reflect an improper approach by the court below as to the proper use of the Declaratory Judgment Act by patent litigants.

The inevitable result of such a rigorous requirement as laid out by the court below is to put the petitioner, Walker, at the mercy of "in terrorem" activities by FMC who can initiate piecemeal litigation against a series of selected customers of Walker. By making a direct charge of infringement against only one customer at a time, a declaratory judgment action could be sustained only by the particular customer accused. Even if the first declaratory judgment suit is decided adversely to FMC, it could sue another one of Walker's customers for infringement (while spreading the news to keep all of Walker's customers and potential customers aware that they may be the next to be sued).

If FMC follows the formula, which the majority of the court of appeals seems to have approved, of carefully avoiding any express charges of infringement beyond the one customer sued, FMC can continue ad infinitum to hold all other Walker customers in fear of the FMC patent. Neither Walker nor any of its unsued customers will be able to maintain an action for declaratory judgment be-

cause there still will be no "viable charge of infringement" against them.

Even though each Walker customer to be sued obtains an adjudication of noninfringement in the same manner as did the City of Greensboro, the untouchable "in terrorem" tactics of FMC can continue. An adjudication of invalidity of the FMC patent will not protect other Walker customers, unless and until it becomes established that, through Walker, they are entitled to res judicata or collateral estoppel status. Permitting FMC to harass Walker and its customers while hiding behind the skirts of the majority ruling is such an intolerable use of the patent system that a doctrine tolerating it should not be permitted by this Court.

III. The Court Erred in Its Application of the Tests of Justiciable Controversy in Holding That Walker's Indemnification Obligations and Previous Charges Against Walker Arising Because of the Forrest Patent Were Not Sufficient to Permit It to Challenge the Patent.

The *Rhodes* case, supra, referring to the *Aralac* decision, held at page 88 that:

> "The test of a justiciable controversy is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."

The various elements of the tests of what constitutes a justiciable controversy are established by the indemnity obligations Walker was required to give its customers as a result of FMC's letters and notices to the trade.

Walker sells its "Gaslifter" devices to customers who can operate the "Gaslifter" units to perform the allegedly

infringing process of the Forrest patent. Such a sale of Walker's "Gaslifter" equipment to the City of Greensboro has already given rise to this charge, which is unresolved as to the inducement aspect. Walker continues to sell its "Gaslifter" units, the design of which is substantially unchanged from those units sold to the City of Greensboro.

Sewage digestion equipment is not shelf merchandise like toothpaste or shaving cream. On the contrary, it is specialized equipment. The customers of Walker and FMC are sophisticated engineers or municipal officers who are familiar with the process of the Forrest patent and the operation of Walker's "Gaslifter" unit as well as the activities of others in the field of sewage treatment. Even assuming the communications and notices sent by FMC do not, on their face, constitute express threats by a patentee, it is perfectly clear that FMC has made manifest to the trade that FMC considers the use of Walker's "Gaslifter" device to be an infringement of the Forrest patent. This is shown by the fact that Walker has been required, because of fear of suit by its customers, to agree to indemnify them against infringement of the Forrest patent.

Judge Leahy in the *Girdler* decision correctly pointed out the existence of a controversy in such a situation at 56 F. Supp. 875:

> "In the case at bar, plaintiff has a stronger position than a mere prospective manufacturer. It has sold a considerable quantity of machines which are planned to utilize defendant's process. In view of plaintiff's future prospects that it will obtain still more customers, defendant's asserted position with respect to the coverage of its claims in suit becomes the key to the problem. There are cases which hold that before declaratory judgment jurisdiction attaches defendant must have instituted a previous suit against a similarly situated declaratory judgment plaintiff or a customer, or a definite threat of suit against either, or the giving of a general notice to the trade. But

> this does not mean that these, and only these, factors or any one of them must be present. Where the patent owner makes his position clear with respect to a manufacturer's customer, the result is that the declaratory judgment plaintiff, as manufacturer, finds his competition threatened by such patent owner's assertions; and the other result is the customer's fear of suit against itself. When this happens, a real controversy exists over the scope of the patent as between the declaratory judgment plaintiff *vs.* the owner of the patent."

The allegations of the complaint relative to Walker's indemnity obligations arising from FMC's letters to the trade meet the requirement of a substantial controversy. The adverse legal interests* are seen in FMC's charge of inducement of infringement against Walker in the *Greensboro* case, an issue which is yet unresolved. The immediacy and reality requirements alluded to in *Rhodes* are met by the continual and ever present fear of Walker's customers that they will be sued and the fact that FMC has already initiated such an action in the *Greensboro* case.

Thus, the tests of a justiciable controversy as outlined in the *Rhodes* case and misapplied by the Court of Appeals for the Seventh Circuit are clearly met and Walker should be entitled to the opportunity to meet FMC directly in order that the creation of further economic waste can be avoided.

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* The holding by the court of appeals (App. 19-20) that Walker has an interest satisfies the requirement of the Declaratory Judgment Act (28 U. S. C. 2201) that the court has an obligation to "declare the rights and other legal interests of any *interested* party." (Emphasis added.)

IV. CONCLUSION.

FMC, respondent, has a method patent. Petitioner's complaint is that FMC has used that patent to terrorize municipalities and others so that some will not purchase sewage treatment equipment from petitioner, while those who do insist upon patent infringement indemnification from Walker.

The decision of the majority of the court below permits a patent owner to use its patent to eliminate all competition, without risking adjudication of its patent—so long as the patentee makes no express charges of infringement. This sanctuary is accomplished by subtly persuading prospective customers of a patent owner's competition that they could not operate safely except under license from the patent owner. This is the type of "in terrorem tactics" employed by respondent, FMC, and it is for the above-stated reasons that petitioner prays that a writ of certiorari be granted.

Respectfully submitted,

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APPENDIX.

Pertinent Statute Involved.

28 U. S. C. Section 2201.

§ 2201. *Creation of remedy.*

In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

IN THE UNITED STATES COURT OF APPEALS.
For the Seventh Circuit.

September Term, 1965—January Session, 1966.

No. 14880
WALKER PROCESS EQUIPMENT, INC., *Plaintiff-Appellant,*
v.
FMC CORPORATION, *Defendant-Appellee.*

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division

January 20, 1966.

Before HASTINGS, *Chief Judge,* and KILEY and SWYGERT, *Circuit Judges.*

HASTINGS, *Chief Judge.* This is an appeal by Walker Process Equipment, Inc. from an order of the United

States District Court for the Norther District of Illinois dismissing, for lack of jurisdiction because of the absence of an actual controversy, Walker's declaratory judgment action against the F.M.C. Corporation (FMC).[1] In its complaint, Walter sought to have a patent owned by FMC, U. S. Patent No. 2,777,815, entitled "Sewage Digestion Process", declared invalid, unenforceable, and not infringed by any use of Walker's digester stirrer equipment.

Walker manufactures and sells "Gaslifter" digester stirrers for use in sewage digestion processes in sewage treatment plants. FMC competes with Walker and is the owner of a patented process for the digestion of sewage sludge, which involves continuous gas recirculation to maintain homogeneous sludge. While Walker sells only equipment, it is possible for Walker's customers to use Walker's equipment in processes allegedly covered by FMC's process patent, although the Walker equipment need not be so used and has other uses.

Walker's amended complaint alleges that FMC attempts to persuade prospective customers of competing manufacturers that they should use FMC equipment in accordance with its patented process or that, if they use the equipment of a competing manufacturer, they should, in order to protect themselves against possible infringement, purchase a license to use the patented process from FMC.

It is further alleged that because of FMC's acts some of Walker's prospective customers have refused to pur-

1. "In a case of actual controversy within its jurisdiction, except with respect to Federal taxes, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such." 28 U. S. C. A. § 2201.

chase Walker's equipment, while others demand, as a condition of purchase, that Walker furnish "hold harmless" guaranties to defend them against patent infringement actions.

Walker asserts that at least one of its customers, with which Walker has a patent suit indemnity agreement, has used, and is believed by Walker to continue to use, Walker's equipment in a process which apparently infringes the patent.

In May, 1960, FMC brought suit against Walker and one of its customers, the City of Greensboro, North Carolina, charging the City of Greensboro with infringement of FMC's patent and charging Walker with active inducement of infringement of the patent. Walker was dismissed from the suit on motion since it was not subject to process in North Carolina. Because of Walker's hold harmless agreement with Greensboro, however, Walker defended that action. The district court held that FMC's patent was valid and infringed,[2] but on appeal, the court of appeals reversed, holding that the process used by the City of Greensboro for the digestion of sludge did not infringe the patent. See *FMC Corporation* v. *City of Greensboro*, 4 Cir., 326 F. 2d 581 (1964).

On this appeal, Walker urges a number of grounds for reversal. Walker first contends that when a patent owner charges another with infringement through active inducement of infringement or contributory infringement, an actual controversy exists sufficient to support a suit under the Declaratory Judgment Act. While this proposition is true, it begs a fundamental question of this appeal: that is, whether the patent owner has, in this case, made viable charges of infringement.

A studied consideration of Walker's amended complaint

2. 208 F. Supp. 494 (1962).

has convinced us that the complaint does not allege that FMC has charged Walker or any of Walker's customers, at any time since the Greensboro litigation, with any kind of infringement. Whatever infringement charges were made in the Greensboro litigation were resolved, and the controversy between the parties terminated, by the judgment of the court of appeals.

Walker states, however, that even if the allegations it made respecting FMC's charges of active inducement of infringement and contributory infringement refer only to the Greensboro litigation, the charges created a legally cognizable controversy not terminated in that case, although the particular controversy in issue in that case was terminated. This is so, Walker asserts, because the same basis for the charges FMC made in the Greensboro litigation continues to exist. While it may be that the same basis for charges exists, it is certain, in view of our construction of Walker's complaint, that actual charges do not exist. Lacking actual charges, Walker's right to maintain a declaratory judgment action depends upon the meaning of the Declaratory Judgment Act.

The Declaratory Judgment Act created no new rights, but rather created a new remedy with which to adjudicate existing rights. *Aralac, Inc.* v. *Hat Corporation of America*, 3 Cir., 166 F. 2d 286, 291 (1948). With respect to the meaning and effect of the Act in relation to patents, we quote with approval the statement of the district court in this case:

> "Prior to the enactment of the Declaratory Judgment Act, a party accused of patent infringement was without a remedy to obtain a judicial determination of the merits of the accusation if the patentee refused to bring suit for the alleged infringement. An accused infringer could thus be made subject to harassment. The Declaratory Judgment Act eliminates this in-

equity. It enables the accused to secure a judicial determination of the charge of infringement without having to wait for the patentee to institute proceedings."

A leading case in point is *Aralac, Inc.* v. *Hat Corporation of America, supra. Aralac* precludes a declaratory judgment action against a patent owner unless the plaintiff is in fact accused of infringement by the patent owner. In view of the fact that there are no outstanding charges by FMC of infringement by Walker or Walker's customers, there is no justiciable controversy between the parties.

It is further urged, however, that a manufacturer whose interests in a controversy concerning a patent are limited to indemnity agreemnets with possible infringers and possible loss of business has standing to seek a declaratory judgment regarding the scope and validity of the patent.

In *Aralac, supra,* it was held that where the patent owner has not made a charge of infringement, direct or contributory, against a plaintiff-manufacturer, but rather has made a claim that purchasers of the plaintiff's product were infringing by using the process covered by defendant's patent, the plaintiff-manufacturer did not have a sufficient legal interest in any claim arising under the patent laws to enable it to challenge the defendant's patent by declaratory judgment. The plaintiff's interest was an economic interest not legally recognized.

It is true, as Walker argues, that in *Aralac* the plaintiff sold a product which was used by purchasers in the manufacture of a wholly new product, the manufacture of which involved the alleged use of a patented process. In the instant case, Walker's product itself may be used by purchasers in a manner allegedly infringing a patented process. Because of the specialized use of Walker's equipment, it is clear that Walker has a greater and somewhat different interest than existed in the *Aralac* case. Nonethe-

less, Walker's interest is no more than an economic interest, which brings it within the *Arglac* rationale. In the absence of a viable charge of infringement, Walker's interest is insufficient to permit Walker to Challenge FMC's patent.

Finally, Walker, citing *National Coupling Co.* v. *Press-Seal Gasket Corp.*, 7 Cir., 323 F. 2d 629 (1963), contends that when a patent owner asserts that customers of a manufacturer may possibly infringe a patent, an actual controversy between the patent owner and manufacturer exists sufficient to give jurisdiction in a declaratory judgment action.

National Coupling decided that, in a declaratory judgment action, where a defendant had publicly charged the plaintiff, in a letter to one of the plaintiff's customers, with infringement of a patent, the defendant could not forestall judicial determination by objecting to jurisdiction on the ground that the product of the alleged infringer fell within a statutorily excluded class of infringing articles, as defined in 35 U. S. C. A. § 271(c).[3] Jurisdiction for a declaratory judgment action existed there because of a viable charge of contributory infringement. The action of a patent owner in cautioning possible infringers and offering licenses to them, as in the instant case, is not the equivalent of the charge of infringement found in *National Coupling*. For that reason, *National Coupling* is distinguished from the case at bar.

The judgment of the district court appealed from herein is affirmed.

AFFIRMED.

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3. Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

SWYGERT, *Circuit Judge*, dissenting.

The majority opinion identifies the fundamental question in this appeal as "whether the patent owner has . . ., made viable charges of infringement." The majority then states that its consideration of the complaint reveals no allegation that FMC has charged Walker, "or any of Walker's customers, at any time since the Greensboro litigation, with any kind of infringement." I cannot agree.

The majority says that the several allegations of Walker's complaint relating to FMC's "licensing program" and to the Greensboro lawsuit do not embrace "viable charges" of infringement. I concede that this may be arguable; however, paragraph sixteen of the amended complaint states in part:

> Since the opinion of the Court of Appeals for the Fourth Circuit in *F. M. C. Corporation* v. *City of Greensboro* . . ., the defendant has continued to charge that use of plaintiff's "Gaslifter" digester stirring equipment infringes said Letters Patent No. 2,777,815.

I think that this is an allegation by Walker that FMC has charged it with contributory infringement. The complaint need not allege that the charge of infringement was addressed directly to Walker, nor need it allege that Walker's customers were told that Walker had committed acts of infringement. It is sufficient for Walker to allege that its customers were told that if they use Walker's equipment, they (the customers) will be guilty of infringement. In such circumstances, Walker, albeit indirectly, has been charged with contributory infringement and thus has a sufficient interest to seek relief under the Declaratory Judgment Act.

A very similar allegation was considered by this court in *National Coupling Co.* v. *Press-Seal Gasket Corp.*, 323 F. 2d 629 (7th Cir. 1963). There National Coupling sought

a declaratory judgment of noninfringement and invalidity against the owner of a patent for a gasket and pipe end construction for bell and spigot pipe. National Coupling's complaint alleged that the patentee had charged one of National Coupling's customers that if the customer used gaskets manufactured by National Coupling in the production of certain pipe, the customer would be guilty of infringement. We held there that such a charge by the patentee against a customer of National Coupling was also a charge of contributory infringement against National Coupling. "The import . . . [the patentee's statements] is that but for the use of National Coupling's gasket there would be no infringement. Thus, the charge of infringement is against National Coupling."

Although not a declaratory judgment action, another case that bears on the question here is *Electric Bleaching Gas Co.* v. *Paradon Eng'r Co.*, 12 F. 2d 511 (2d Cir.), *cert. denied*, 273 U. S. 728 (1926). There the owner of a process patent for the purification of water sued a manufacturer of a mechanical device that might be used and was ordinarily used for the purification of water in accordance with the patented process. The court held that the sale of this device for use in the process was a species of contributory infringement and upheld the patent owner's right of recovery.

Here Walker alleges that FMC is informing Walker's customers that if they use Walker's digester stirrers they, Walker's customers, will infringe FMC's process patent. Walker's complaint thus alleges a charge of infringement by FMC. The question of whether Walker's equipment could or could not in fact infringe FMC's process patent is irrelevant to the question of whether a charge of infringement has been made.

Since Walker alleges that it has been charged with

infringement by FMC, *Aralac, Inc.* v. *Hat Corp. of America,* 166 F. 2d 286 (3rd Cir. 1948), is not applicable. In *Aralac,* the court stated that "there has never been a charge of infringement made by defendant against plaintiff or any of plaintiff's customers or prospective customers by notice, threat or suit as to the sale or purchase of casein fiber or against casein fiber as such, but a claim that the purchasers of plaintiff's fibers were, by using the process encompassed by defendant's patents, performing an act of infringement." There the casein fiber manufactured by the plaintiff was only one of several ingredients which, when combined under the patented process, formed a new commodity. This is made clear by the following statement at page 293 in the opinion:

> Plaintiff has the right to have that which it lawfully produces freely bought and sold without restraint or interference. It is a right which attaches to its product, to a particular thing—as an article of commerce —and it continues only so long as the commodity to which the right applies retains its separate identity. If in the course of trade that commodity is combined with other things in the process of the manufacture of a new commodity, the trade right in the original part as an article of commerce is necessarily gone. So that if other persons become manufacturers on their own behalf, assembling the various elements and uniting them so as to produce hats or hat bodies, a new article, it is manifest plaintiff cannot by reason of its mere right to make and sell, and the fact of its having made and sold casein fibers to the manufacturers of the new article, satisfy the legal requirement that it has sufficient legal interest in any claim arising under the patent laws, enabling it by declaratory judgment to challenge the validity of the defendant's patent, where no charge of infringement has been made against the product sold by plaintiff but against a process with which plaintiff has had no connection.

In the instant case it is not claimed that the Walker equipment is a commodity (such as casein fibers or, for example, steel) that is "combined with other things in the process of the manufacture of a new commodity." Rather, according to the complaint, FMC has charged and is currently charging that the use of Walker's equipment infringes the patent. Stated differently, the charge is that the Walker equipment is the means for applying the patented process. For the foregoing reasons I cannot agree with the court's observation that Walker's complaint alleges no outstanding charges by FMC of infringement by Walker, and its holding that Walker does not have a sufficient legal interest to maintain this suit. I would reverse the dismissal order.

Order Denying Appellant's Petition for Rehearing.

Thursday, March 10, 1966.

Before Honorable John S. Hastings, Chief Judge, Honorable Roger J. Kiley, Circuit Judge, and Honorable Luther M. Swygert, Circuit Judge.

IT IS ORDERED that the petition for a rehearing of this cause be, and the same is hereby, DENIED.

Judge Swygert voted to grant the petition for rehearing.

Decision of the Trial Court (Oral).

P. App. 25-37.

(Filed Dec. 9, 1964).

The Court: Gentlemen, thank you for coming in. These files get thicker and thicker.

We have here for consideration today the defendant's motion to dismiss Count I of the amended complaint for lack of jurisdiction and also to dismiss Count II.

It appears that the Walker Process Equipment, Inc. brought this action against FMC Corporation in two counts. Count I prays for a declaratory judgment that FMC's patent number 2,777,815 is invalid, unenforceable and not infringed by processes in which Walker's equipment is used.

Count II prays for an injunction and damages resulting from FMC's alleged acts which amount to unfair competition.

Walker amended its original complaint in response to an earlier motion by FMC to dismiss for lack of a justiciable controversy over which this Court has jurisdiction. FMC now moves to dismiss the amended complaint on several grounds. FMC contends Count I should be dismissed because (1) it fails to assert a justiciable controversy,—the same basis asserted in the earlier motion; and, (2) the assertion of non-infringement presents only a hypothetical question.

In the alternative, FMC contends Count I should be dismissed on the issue of validity of the patent since validity of the patent cannot be contested under the doctrine of res judicata.

Count II, it is claimed, should be dismissed because it fails to state a claim upon which relief can be granted. In the alternative, the doctrine of res judicata precludes Walker from bringing an action for unfair competition.

In support of its motions, FMC has submitted admissions and interrogatories to which Walker has filed answers. The motion to dismiss for lack of jurisdiction is not defeated by the filing of these documents. The Court's attention may be directed to these documents in such a motion. See 2 Moore's Federal Practice, Paragraphs 12.09(2), (3) and 12.14 at page 2248 and 2266, respectively.

Jurisdiction over Count I, praying for the declaratory

judgment, is sought under 28 U.S.C.A. Section 1338, (a), which confers jurisdiction on the district courts in patent cases, and 28 U.S.C.A. Section 2201 which authorizes the bringing of an action for declaratory judgment.

Walker manufactures and sells gaslifter digester stirrers, which are used by its customers in processes which are used in the digestion of sewage. FMC is a competitor of Walker and, in addition, FMC operates under patent No. 2,777,815 which allegedly covers a method of digesting sewage sludge. Sludge is a mixture of water and solid material which remains after much of the water has been removed from sewage entering a sewage treatment plant. For the purpose of the instant motions, it is not necessary to give a technical explanation of the patented process. It is sufficient to note that Walker's gaslifter digester stirrers are used by Walker's customers, and not by Walker, in processes allegedly covered by FMC's patent.

The amended complaint alleges that FMC notifies customers and potential customers of Walker that they will infringe FMC's patent by using Walker's gaslifter digester stirrers in their processes which digest sewage sludge if they do not obtain licenses from FMC.

The amended complaint goes on to say that as a result of these acts by FMC, some of Walker's prospective customers have refused to purchase Walker's gaslifter digester stirrers and virtually all customers which do make purchases require Walker to furnish "hold harmless" guaranties to defend them against any infringement suits which FMC might bring.

In 1960, FMC commenced a suit against one of Walker's customers, the City of Greensboro, North Carolina, and Walker, charging the City of Greensboro with infringement, and Walker with actively inducing infringement of patent No. 2,777,815. *FMC Corporation* v. *City of Greens-*

boro, 208 Fed. Supp. 494, Middle District of North Carolina, reversed in 326 Federal 2d 581, Fourth Circuit, 1964. Although the action was dismissed as to Walker for lack of jurisdiction, pursuant to a "hold harmless" agreement with the City of Greensboro, Walker defended the suit and paid the costs. The district court held the FMC patent valid and infringed. The Court of Appeals reversed, holding that the patent was not infringed by the Greensboro system of digesting sludge. Walker further contends in its amended complaint that the question of validity was expressly left open.

Since the Court of Appeals decision, Walker alleges, FMC has continued its prior policies of attempting to dissuade customers from buying Walker's gaslifter digester stirrers, pointing out that the Greensboro decision did not affect the validity of the patent and that the holding of non-infringement applied only to Greensboro's specific system.

Section 2201 of Title 28 provides in part that:

> "In the case of actual controversy within its jurisdiction, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration whether or not further relief is or could be sought."

FMC contends that Walker lacks the necessary "interest" to bring this declaratory judgment action, and that, therefore, this court lacks jurisdiction of the subject matter. FMC relies primarily on *Aralac Inc.* v. *Hat Corp. of America,* 166 Fed. 2d 286, Third Circuit, 1948. The Third Circuit held that an economic interest in a patent is not sufficient to give a party the requisite "legal interest" to bring an action for a declaratory judgment. One seeking a declaratory judgment of non-infringement and invalidity of a patent must have been charged by the patentee

with infringing or contributorily infringing the patent. Factually, the case is very similar to the case at bar. A fiber manufacturer brought suit for declaratory judgment of invalidity of the defendant's patent. The complaint alleged that defendant asserted plaintiff's customers infringed defendant's patent. The patent did not cover the fibers made by the plaintiff, but, rather, the process used by plaintiff's customers to combine the fibers with other fibers to make hats. Defendant never accused plaintiff with directly or contributorily infringing defendant's patent. Notice of the alleged infringement was given to plaintiff's customers, thereby causng plaintiff to suffer financial loss in the form of reduced sales. Similarly, in the instant case, FMC's patent only covers a process of digesting sludge. FMC's patent does not cover the gaslifter digester stirrers made by Walker and used by its customers in their sludge digestion systems. This Aralac doctrine is approved by Professor Moore in his treatise. 6 Moore's Federal Practice, paragraph 57.15 at 3087.

An understanding of the value of declaratory actions in the field of patents will help explain the reasoning behind Aralac. Section 271(a), (b) and (c) of Title 35 provides:

> "Section 271. Infringement of patent.
>
> "(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.
>
> "(b) Whoever actively induces infringement of a patent shall be liable as an infringer.
>
> "(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

Prior to the enactment of the Declaratory Judgment Act, a party accused of patent infringement was without a remedy to obtain a judicial determination of the merits of the accusation if the patentee refused to bring suit for the alleged infringement. An accused infringer could thus be made subject to harassment. The Declaratory Judgment Act eliminates this inequity. It enables the accused to secure a judicial determination of the charge of infringement without havng to wait for the patentee to institute proceedings. See 6 Moore's Federal Practice, paragraph 57.20 at 3114, for a more complete discussion of the Declaratory Judgment Act and patents.

The Act, however, created no new rights; it merely offers a new remedy to adjudicate existing rights. Aralac, supra at 291, and cases cited therein. Since the patentee has no cause of action against one who is not infringing—directly or contributorily—his patent, the Aralac case precludes suing a patentee unless the party suing is accused of such conduct. The plaintiff in Aralac was not so accused and thus could not maintain the action for declaratory judgment.

There are three facts, however, which Walker contends distinguish Aralac from the instant case and makes it inapposite:

(1) In Aralac, there was no suggestion that the plaintiff had indemnity agreements with its customers obligating it to defend and indemnify them from suits brought against them under the patent; and

(2) In Aralac, the patentee had never sued the plaintiff nor made any charge suggesting liability of the plaintiff to the patentee; and

(3) The product of the plaintiff in Aralac was a staple suitable for substantial noninfringing use.

In the first distinction Walker contends that the in-

demnity agreements between it and some of its customers give it a sufficient "interest" in the patent to maintain an action for a declaratory judgment. Although there does not appear to be any authority on this point, this court takes the view that the agreements do not raise the necessary "interest." For Walker to have the requisite "interest" the Aralac doctrine requires that a patentee accuse the plaintiff with infringing, directly or contributorily, its patent. The agreements merely increase Walker's economic interest in the outcome of any suit which FMC might bring against Walker's customers for patent infringement by the customers.

The second distinction relied on by Walker relates to the suit by FMC against the City of Greensboro. In that suit FMC charged Walker with actively inducing the infringement by the City. The action against Walker, as previously noted, was dismissed for lack of jurisdiction. Walker also contends that FMC, in its brief in opposition to Walker's motion to dismiss for lack of jurisdiction, charged Walker with contributorily infringing its patent. On the basis of these prior charges of active inducement and contributory infringement, Walker contends that it is entitled to maintain this declaratory judgment action.

Although contributory infringement and the active inducement of infringement are violations of the patent laws, 35 U. S. C. A., Section 271(b) there must be a direct infringement for an action for such indirect infringements to lie. *ARO Manufacturing Co.* v. *Convertible Top Co.*, 365 U. S. 336, 341, 1961, cited by FMC, no contributory infringement without direct infringement; *Hautau* v. *Kearney & Trecker Corp.*, 179 Fed. Supp. 490, Eastern Division of Michigan, 1959, no active inducement without direct infringement. Both charges in the prior suit specificially related to the direct infringement asserted against the City of Greensboro. That is, today, the only allega-

tion contained in Walker's amended complaint is that Walker was accused of active inducement in the Greensboro case. See amended complaints paragraph 7 and 10. Paragraph 7 of the amended complaint is not completely clear as to whether Walker was allegedly accused of active inducement in instances other than those alleged in the Greensboro suit. Since the arguments presented in Walker's brief in opposition to this motion are all directed to the Greensboro suit, it seems clear that the allegations of paragraph 7 are intended to be restricted to the Greensboro controversy. See page 4 of Walker's brief in opposition to FMC's motions.

Inasmuch as the court in Greensboro held that FMC's patent was not directly infringed by the City of Greensboro, there can be no further action against Walker for contributorily infringing, or actively inducing infringement, in connection with its customer, the City of Greensboro. Thus, after the decision in Greensboro, Walker lost its "interest" in the FMC patent.

We need not decide, and we expressly reserve a decision on, FMC's contention that a charge of active inducement, unlike a charge of contributory infringement, will not support a suit for declaratory judgment.

The third alleged distinction between the instant case and the Aralac case is that the fiber sold by the plaintiff in Aralac was a staple while the gaslifter digester stirrers sold by Walker are not. Section 271(c) of Title 35, as previously pointed out, provide that whoever sells a staple article or commodity of commerce suitable for substantial non-infringing use shall not be liable as a contributory infringer. Thus, Walker is attempting to show that the result reached in Aralac was based on the premise that there could not have been any contributory infringement. FMC, on the other hand, argues that Walker's products are staples.

The Aralac case, however, seems to have been misinterpreted. The court did not hold that the fiber was a staple commodity. The court stated, "We assume arguendo that casein fibers are a standard article of commerce capable of various uses." (Page 294-95.)

The question did not have to be decided because the court based its holding on the fact that the defendant never charged the plaintiff with direct infringement or contributory infringement of the defendant's patent. (Page 293.)

Inasmuch as the only charges of indirect infringement made against Walker were in connection with the Greensboro case, the question of whether gaslifter digester stirrers are staples within the meaning of Section 271(c) need not be decided. Indeed, it is doubtful whether the question could be decided on the present motion.

Walker further contends, however, that even if the Aralac case is applicable to the facts in the instant case, it is not the law in this circuit. *Stratton* v. *Thornley,* 94 U. S. P. Q. 135, Northern District of Illinois, 1951, a decision by Judge Barnes, is cited as authority.

I might parenthetically say that I always paid a lot of attention to Judge Barnes' decisions. I think he was the best patent judge that sat here during my professional years, and that goes back many years.

In Stratton the plaintiff was accused of infringing defendant's patent. The issue resolved in Aralac and presently before this Court of whether the plaintiff has a sufficient "interest" to maintain a declaratory action when its customers are charged with infringement was not considered. The case is not in point.

Mr. Clerk, FMC's motion to dismiss Count I for lack of jurisdiction is granted. The other two grounds for dismissing Count I will not be considered.

Count II of the amended complaint containing the claim of unfair competition must also be dismissed for lack of jurisdiction, and I do dismiss it for that reason. Although FMC has not objected and is not objecting to the jurisdiction of the Court over Count II, it is encumbent upon this Court to act sua sponte in such a situation.

Walker claims this Court obtained jurisdiction over the second count by virtue of 28 U. S. C. A. 1332—that is to say, the diversity of citizenship. The amended complaint alleges the amount in controversy to exceed $10,000, and that Walker is an Illinois corporation having its principal place of business in Illinois. FMC, the amended complaint avers, is a Delaware corporation, having a place of business in Illinois and regularly doing business here. Absent from the amended complaint and the original complaint is an allegation as to the location of FMC's principal place of business.

Section 1332(c) of Title 28 provides that a corporation shall be deemed a citizen of any state by which it has been incorporated and of the state where it has its principal place of business. Thus, for purposes of diversity jurisdiction, a complaint must allege the principal place of business and place of incorporation for each corporate party to the action. Walker's amended complaint is defective in this respect. Although Walker need not allege in which state FMC has its principal place of business, there must be at least an allegation that FMC's principal place of business is not in Illinois, the state in which Walker is deemed to be a citizen. See 2 Moore's Federal Practice, Section 8.10 at 1657.

Section 1338 of Title 28 also fails to confer jurisdiction on this Court over Count II. That section provides:

> "(a) The district courts shall have original jurisdiction of any civil action arising under any act of

> Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyrights cases.
>
> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

By virtue of these provisions, the district courts are granted jurisdiction over an action for a declaratory judgment of the invalidity and noninfringement of a patent. E.G., *General Steel Products Co.* v. *Lorenz,* 204 Fed. Supp. 518, Southern District of Florida, 1962; *Ostow & Jacobs, Inc.* v. *Morgan-Jones, Inc.,* 180 Fed. Supp. 38, Southern District of New York, 1959, affirmed other issues on reargument, 181 Fed. Supp. 208, Southern District of New York, 1961. The patent claim, however, is not "substantial" within the meaning of subsection (b) inasmuch as Walker lacks a sufficient "interest" in FMC's patent to assert the claim. That is, we hold that a claim for a declaratory judgment is not "substantial" if the plaintiff clearly lacks an "interest" in the defendant's patent. The patent claim, therefore, cannot support jurisdicion over the unfair competition claim.

Although there does not appear to be any authority precisely in point, such a conclusion comports with the purpose of Section 1338(b). The Revisor's Notes to Section 1338(b), 28 U. S. C. A. Section 1138 at 108, 1962, state that:

> "Subsection (b) is added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court."

It would not serve this purpose to take jurisdiction over the common law claim where we are barred from adjudicating the federal claim.

Since Walker may be able to cure the defect in its amended complaint with respect to the allegations of diversity jurisdiction, leave is granted to Walker to amend its complaint within ten days from date, the defendant to answer the second amended complaint within ten days thereafter.

Defendant's motion to dismiss Count I of the amended complaint for lack of jurisdiction is granted.

I don't know which of you have prevailed.

Mr. Goldsmith: We prevailed, your Honor, and apart from that we appreciate the Court's careful consideration of this matter.

The Court: Perhaps after my remarks you might find they will serve to help you lawyers to resolve your difficulties. I don't know whether they can be resolved or not. Not knowing the diversity facts, I don't know whether a valid second count can be filed.

Mr. Goldsmith: Well—

The Court: Some of the patent lawyers don't know about it. I think it was in 1958 there was an amendment to the diversity statute. It was good for the district court judges, we got rid of a lot of grocery chain suits here, Sears Roebuck and others.

Mr. Webb: May I ask your Honor one question?

The Court: Yes.

Mr. Webb: May we in our second amended complaint file our first count again and try to cure that?

The Court: Oh, no. That has been dismissed. If you did counsel would be under the obligation of pleading to

it and that would impose an additional burden on all of us. I have expressed my views about it and my order in this respect is reviewable.

My answer to that question is that you should not.

Mr. Webb: I see.

* * * * *

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. [redacted] 212

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FMC CORPORATION,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. 1394.

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FMC CORPORATION,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The Petition sets forth no reason for the Court to exercise its certiorari jurisdiction. There is no conflict between holdings of various Courts of Appeals. There is no important question of federal law to be settled by this Honorable Court. The Court of Appeals did not decide any federal question in a way to conflict with applicable decisions of this Court. There is no need for this Court to exercise its supervisory authority.

The Petition should be denied.

OPINIONS BELOW.

The opinions of the District Court and the Court of Appeals are properly described in the Petition and are accurately set forth in the Appendix to the Petition.

JURISDICTION.

The jurisdiction of this Court is properly stated in the Petition.

STATUTES.

The Constitutional provisions and statutes involved in this matter are Article III, Section 2 of the United States Constitution (App. 1), the Declaratory Judgments Act, 28 U. S. C. § 2201 (Pet. App. 15) and Section 271(a), (b) and (c) of the Patent Act of 1952 (App. 1).

QUESTIONS PRESENTED.

For the reasons explained in the Argument below, the questions presented by this proceeding as petitioner has phrased them in its Petition are in several respects incorrect and misleading. The questions actually presented are:

1. Since the allegation relied upon by petitioner in paragraph 16 of the amended complaint (*i.e.*, that respondent has charged infringement of the Forrest patent* after the termination of the Greensboro case**) was restricted by discovery proceedings simply to an allegation that respondent has engaged in a licensing program under its patent, should this Court overrule the express holding of the Court of Appeals for the Seventh Circuit that the *mere maintenance of a licensing program* does *not* constitute a viable charge of infringement by a patent owner sufficient to create an actual controversy to support a declaratory judgment suit?

2. How can *language in a declaratory judgment plaintiff's Petition for certiorari improperly labeling a patent*

* U. S. Letters Patent No. 2,777,815 issued January 15, 1947.

** *FMC Corporation* v. *City of Greensboro*, 208 F. Supp. 494 (M. D. N. C. 1962), *rev'd*, 326 F. 2d 581 (4 Cir. 1964).

owner's licensing program as "harassment" of a competing equipment manufacturer, "coercion" of customers of the competing manufacturer, or "subtle threats of infringement" take the place of the requirement that *to establish a justiciable controversy to support a declaratory judgment suit there must be an actual, outstanding and viable charge of infringement* by the patent owner either against the competing manufacturer or against one of its customers? Is not such a charge of infringement *always* necessary to support jurisdiction in a declaratory judgment action? How can a court determine an issue of infringement without the presence in the case of an infringer?

3. How can *contractual arrangements with third persons* or *moot charges* be considered to provide the actual justiciable controversy that is required by Article III, Section 2 of the United States Constitution and the Declaratory Judgments Act? More specifically:

(a) How can an actual justiciable controversy exist between the owner of a process patent and a competing manufacturer of equipment which is itself unpatented, and which is suitable for a variety of substantial uses totally outside the process patent, merely because customers of the competing manufacturer have asked to be indemnified against possible liability arising from possible future charges of infringement by the patent owner, and the competing manufacturer—*not* the patent owner—asserts that some of the competing manufacturer's customers have practiced a process defined in terms similar to the broad, general description of the patented process that is contained in the patent owner's licensing literature?

(b) How can an actual justiciable controversy exist between the owner of a process patent and a competing equipment manufacturer merely because in a prior lawsuit against a third person the patent owner charged the third person with direct infringement and the competing equip-

ment manufacturer with active inducement of infringement, when the charges against the third person have become moot because of a final holding of no direct infringement, and the charges against the competing manufacturer have become moot both for that reason and because they were dismissed for lack of jurisdiction?

STATEMENT OF THE CASE.

With a few exceptions,* the Statement of the Case at pages 3 to 5 of the Petition is an adequate statement of the facts.

We believe an accurate short statement of petitioner's position here is that Walker asserts there is an "actual controversy" within the meaning of Article III, Section 2

*The necessary corrections are:

1. The charge made by FMC against Walker in Greensboro was *not* that where "*a* process" is accused of direct infringement, Walker's acts in connection with that process constitute active inducement of infringement (Pet. 4). The charge of active inducement against Walker related only to a *particular* process—*i.e.*, the process employed *at Greensboro*.

2. FMC has *not* acknowledged that the validity of the Forrest patent was left undecided by the Greensboro litigation (Pet. 4). The statement on page 5 of the Petition concerning the position of FMC as to the effect of the decision of the Court of Appeals for the Fourth Circuit on the validity of the Forrest patent is correct.

3. The *noninfringing* uses for which the Walker "Gaslifter" stirrer is suitable must be kept in mind. In addition to possible use in a process which would infringe the Forrest patent (Pet. 3, 10-11), the Walker apparatus can also be used by municipal sewage treatment plants in a noninfringing sewage sludge digestion system (Admissions 10-12, App. 11), and can even be used for a noninfringing purpose totally unrelated to the patented process, *i.e.*, as an air lift pump used for lifting a liquid—*any* liquid—in a tank (testimony of J. Donald Walker, President of Walker Process Equipment, Inc., in the *Greensboro* case reproduced at R. 352-353 and 381-382 of the instant case). The Court of Appeals summed the situation up by saying (Pet. App. 16):

"... it is possible for Walker's customers to use Walker's

of the United States Constitution (App. 1) and the Declaratory Judgments Act (Pet. App. 15) simply because of:

(1) FMC's licensing program.

(2) Charges of infringement that were made by FMC in a lawsuit at Greensboro, N. C., which is now terminated by a final decision of the Court of Appeals for the Fourth Circuit.

(3) Indemnification agreements that Walker is required to give many of its customers because of their concern about possible liability that may arise in the future out of any other lawsuits that may possibly be filed by FMC.

Respondent's position is that there is clearly no merit to any of these contentions, the decisions of the District Court and Court of Appeals below were clearly correct, and there is clearly no ground for the exercise here of this Honorable Court's certiorari jurisdiction.

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equipment in processes allegedly covered by FMC's process patent, although the Walker equipment need not be so used and has other uses."

4. The Walker "Gaslifter" stirrer is unpatented. It does not in and of itself infringe the claims of any equipment or apparatus patent.

5. The use of extreme language of the sort exemplified by the word "intimidating" at the top of page 4 of the Petition is of course unwarranted. As will be pointed out below, many other examples of language of this sort are scattered throughout the Petition.

(References to "Pet." are to the Petition, "Pet. App." to the Appendix to the Petition, and "App." to the Appendix following this brief in opposition to the Petition. Unless otherwise indicated, emphasis throughout this brief is supplied.)

ARGUMENT.

To assist the Court in understanding the true facts on which the present Petition is based, we have reprinted in an Appendix following this brief the amended complaint filed by petitioner in the District Court below. The amended complaint, together with petitioner's sworn Answers* to certain Requests for Admissions and Interrogatories—*not* the extravagant and unjustified distortion of those facts by petitioner—of course constitute the facts on which the Petition must be decided.**

In its Petition, Walker presents three arguments (Parts I-III) why in its opinion a writ of certiorari should be granted here. As the true facts make clear, none of the three arguments has any validity.

I.

AS RESTRICTED BY THE DISCOVERY PROCEEDINGS, WALKER'S COMPLAINT SETS FORTH NO ACTUAL, OUTSTANDING OR VIABLE CHARGE OF INFRINGEMENT, ONLY THE FMC LICENSING PROGRAM UNDER THE FORREST PATENT.

Petitioner challenges at page 6 of the Petition the correctness of the key holding by the Court of Appeals below that (Pet. App. 18):

> "... Walker's amended complaint ... does not allege that FMC has charged Walker or any of Walker's

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* Also printed in the Appendix to this brief.

** The District Court, citing 2 *Moore, Federal Practice*, ¶¶ 12.09(2), (3) and 12.14 at pages 2248 and 2266, respectively (2d ed. 1965), pointed out that Answers to Requests for Admissions and Interrogatories may properly be considered in connection with a motion to dismiss.

customers, at any time since the Greensboro litigation, with any kind of infringement . . . ."

Petitioner seeks to cast doubt on this holding by quoting paragraph 16 of its amended complaint, but conveniently overlooks the true state of the facts—*i. e.*, that its sworn Answer to Interrogatory 13(B) (App. 13) equates the allegations of paragraph 16 of the amended complaint with nothing but the FMC letter attached as Exhibit A thereto (App. 9).

Petitioner seeks to leave the impression that it may have still other evidence besides the letter which is Exhibit A to the amended complaint, but it has had every chance to disclose any such evidence, and has not been able to do so. In support of its position on this point, petitioner cites *Conley* v. *Gibson*, 355 U. S. 41, 47 (1957). But in *Conley* there had been no chance to amend the complaint, and no discovery (including Requests for Admissions and Interrogatories), both of which were present here. One can only wonder how many chances—how many amended complaints—how many sworn Admissions—and how many sworn Answers to Interrogatories—petitioner feels it is in fairness entitled to.*

* The District Court was absolutely right in denying petitioner another chance to amend its complaint to try to include allegations sufficient to establish the existence of a justiciable controversy here (Pet. App. 35), when it was already crystal clear from the previous documents filed by petitioner that there was no possibility at all that it would be able to cure the defect in Count I of its amended complaint. The Court did give petitioner leave to amend *Count II* of the amended complaint (which is not involved here) to remedy a defect as to jurisdiction based on diversity of citizenship, saying, "Not knowing the diversity facts, I don't know whether a valid second count can be filed." But since it is clear from petitioner's own pleadings, sworn Admissions, sworn Answers to Interrogatories, and its various briefs that petitioner cannot possibly make the necessary allegations to support jurisdiction of *Count I*, it was entirely proper for the Court below (1) to conclude that further amendment of that Count of the amended complaint "would impose an additional burden on all of us," and (2) to deny leave to file a second amended complaint as to that Count (Pet. App. 35-36).

What does Exhibit A to the amended complaint—the *only* document mentioned in petitioner's sworn Answer to Interrogatory 13(B) as constituting a "charge of infringement" as alleged in paragraph 16 of the amended complaint —say? It simply announces FMC's plans "to continue our program of granting licenses [for] the CRP accelerated sludge digestion process" as there described. Nothing more.

It is difficult to understand how offering a license could under any theory be characterized as an act charging infringement of a patent. Licenses are frequently taken by persons who wish to be free to use a process if they later decide to do so, and who feel more comfortable with all legal questions resolved ahead of time through a covenant not to sue—*i.e.*, a license. It is *always* understood, in fact, that a licensee *may* or may *not* use a licensed invention, as he chooses. Neither the offer of a license nor the acceptance thereof necessarily implies a thing about possible infringement.

Surely this Court will not discourage *bona fide* attempts to license others to practice a patented process that makes such an important contribution as does the patent in suit to the everyday life of today's highly urban and industrial society. Yet to characterize FMC's licensing program as a "charge of infringement" would do just that, by imposing on the patent owner the risk of involvement in a lawsuit that might not otherwise ever be filed. And adoption of such a rule would similarly impede broad utilization of patented knowledge in other fields, through discouragement of active and widespread licensing in those fields, as well.

The effort by petitioner to turn a *legitimate licensing program* into a *charge of infringement* sufficient to create the "actual controversy" required by the United States Constitution and the Declaratory Judgments Act must ob-

viously fail. Both logic and sound public policy argue against the suggestion, and petitioner has been unable to cite any authority in support of it. Clearly the Court of Appeals was correct when it held (Pet. App. 20):

> "The action of a patent owner in cautioning possible infringers and offering licenses to them, as in the instant case, is not the equivalent of [a] charge of infringement. . . ."

II.

THE COURT'S HOLDING WAS CORRECT THAT TO SUPPORT JURISDICTION IN A DECLARATORY JUDGMENT SUIT THERE MUST BE AN ACTUAL, OUTSTANDING AND VIABLE CHARGE OF INFRINGEMENT—HYPOTHETICAL CONTROVERSIES ARE NOT ENOUGH.

In Part II of its argument, petitioner makes three points. All are erroneous.

A.

FMC Licensing Program is Reasonable and Straightforward, and Cannot Properly Be Construed as Creating a Justiciable Controversy With Anyone.

Evidently petitioner understands that a *conventional licensing program* cannot after all be properly characterized as a "charge of infringement," for throughout Part II of its Argument it has tried to bolster its case by embellishing the facts here with an imaginative array of extravagant language that is totally unrelated to the actual situation.

When the *actual* facts are examined, it is seen that FMC has under no stretch of the imagination been either terroristic or sneaky in its licensing program (as petitioner argues with vehemence), but on the contrary has been both *reasonable* and *straightforward.** The FMC

* The colorful language used in the Petition makes interesting reading, but it has no relevance to the real facts. The words employed by petitioner in an attempt to leave the impression that

licensing program has not been designed to precipitate any justiciable controversy with anyone, nor could it realistically be held to have done so.

It is difficult to see how FMC could have written a letter in any more reasonable or straightforward terms—in any language less "terroristic"—or in any language less likely to be considered as creating a justiciable controversy—than the letter of which petitioner now complains (Ex. A to amended complaint, App. 9):

> "We plan to continue our program of granting licenses to those who prefer to avail themselves of the advantages of the CRP accelerated sludge digestion process, involving continuous gas recirculation to maintain homogeneous sludge in the digester, with settling of digested sludge in a second container."

To state the opinion to customers "that it is unsafe for them not to be free" to practice an infringing process, as paragraph 5 of the amended complaint alleges FMC has done (App. 3), is little more than a restatement of the proposition that all legal questions can be definitely re-

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FMC has engaged in *terroristic* tactics (page citations are to the Petition) include "harass" (2, 7, 10), "coerce" (2), "subtle threats" (2), "intimidate" (4), "retaliatory measures" (7), "weapon" (7), "club" (8), "dictate" (8), "in terrorem" (9, 10, 13), "intolerable" (10) and "terrorize" (13). To try to show how *sneaky* FMC has been as it has pursued its licensing program, petitioner characterizes FMC's language as being "subtle" (2, 13), "hedging" (7), "crafty" (8), "careful" (9), and "hiding behind the skirts of the majority ruling" of the Court of Appeals (10).

Petitioner's improper labeling of FMC's legitimate licensing program is summed up in the language—totally unsupported by the facts of the case—used in petitioner's statement of the second question presented here. In that statement, petitioner incorrectly characterizes FMC's licensing program under the Forrest patent as constituting "harassment," "coercion," and "subtle threats of infringement" (Pet. 2-3).

As was recognized by both the District Court and the Court of Appeals below, when petitioner's arguments are stripped of their extravagant verbiage, there is nothing left of petitioner's position.

solved ahead of time only through a license. At worst, the statement merely implies that it is always possible that a suit might be filed if no license is taken and if it comes to the patentee's attention that an infringing process is employed.

Obviously neither this allegation in the amended complaint nor petitioner's unilateral use of extravagant and unwarranted language in its Petition can create a present controversy where on the basis of the facts there is none.

B.

An Actual, Outstanding and Viable Charge of Infringement Must Be Present.

Petitioner challenges the holdings of the Court of Appeals that *actual* charges of infringement must be found to support jurisdiction here (Pet. App. 18)—that "a fundamental question . . . is, whether the patent owner has, in this case, made *viable* charges of infringement" (Pet. App. 17)—and, finally, that:

> "In view of the fact that there are no *outstanding* charges by FMC of infringement by Walker or Walker's customers, there is no justiciable controversy between the parties" (Pet. App. 19).

Petitioner incorrectly asserts that "Courts have repeatedly held that no 'actual', 'outstanding' or 'viable' charge of infringement need be made by a patentee in order for a party to maintain a declaratory judgment action," and cites several cases in support of its assertion (Pet. 8-9). None of the cases cited hold as petitioner asserts. In every one of the cases, there were facts which *did* constitute an actual, outstanding and viable charge of infringement by the patent owner.

Thus, in *Dewey & Almy Chemical Co.* v. *American Anode, Inc.*, 137 F. 2d 68 (3 Cir. 1943), *cert. denied*, 320 U. S. 761;

88 L. Ed. 454 (1943), the declaratory judgment defendant had in a previous lawsuit asserted its patent against a third party whose practices were similar to the commercial practices of the declaratory judgment plaintiff (137 F. 2d at page 70).

In the same way, in *Millway Knitting Mills, Inc.* v. *Sanson Hosiery Mills, Inc.*, 108 F. Supp. 5 (E. D. Pa. 1952), the declaratory judgment defendant had in two other lawsuits asserted infringement against stockings identical to those made by the declaratory judgment plaintiff.* Moreover, the declaratory judgment defendant went so far as to admit in open court that *it considered its patent to be infringed* by stockings made and sold by the declaratory judgment plaintiff (108 F. Supp. at page 6).

In *Girdler Corporation* v. *E. I. du Pont de Nemours & Co.*, 56 F. Supp. 871 (D. Del. 1944), *aff'd.* 152 F. 2d 757 (3 Cir. 1946), a declaratory judgment defendant attempted —through *withdrawal* of a specific charge of contributory infringement—to defeat jurisdiction that had *already* attached by reason of the fact that the charge in question was outstanding at the time the declaratory judgment action was filed. In the case at bar, there was no corresponding charge of active inducement outstanding when Walker filed the present declaratory judgment suit against

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* Another way of characterizing the *Dewey & Almy* and *Millway Knitting* cases is that they decided that a charge of direct infringement need not be made *directly* to a user of a process. Petitioner seeks to take advantage of this rule by attempting to equate the concept of a *direct* charge with an *outstanding* or *viable* charge of infringement (Pet. 9), but these involve quite different questions.

Respondent readily concedes that to support declaratory judgment jurisdiction, the charge that direct infringement of a process patent has occurred through use of certain equipment need *not* be made *directly* to the equipment user itself, but may be made, for example, to the manufacturer of the equipment in question —here, Walker. But the charge must be *outstanding*, even if not *direct*. And petitioner here has failed to allege an *outstanding* charge of infringement made by FMC to *anybody*.

FMC. In addition, in *Girdler* there were charges of direct infringement against customers of the declaratory judgment plaintiff which had never been adjudicated, which is not true here.

Two other cases cited by petitioner are addressed to the question of whether a charge of infringement need be direct and formal, *if* the identification of the product charged to infringe is sufficiently clear. *King Kup Candies, Inc.* v. *H. B. Reese Candy Co.*, 134 F. Supp. 463 (M. D. Pa. 1955); *Rhodes Pharmacal Co.* v. *Dolcin Corp.*, 91 F. Supp. 87 (S. D. N. Y. 1950).* But such a situation is entirely different from the situation in the present case, where any infringement would not be of a simple trademark (Peanut Butter Cup) or a simple product (aspirin and calcium succinate in certain proportions). Here, any infringement would be a particular use of equipment, which equipment petitioner admits can be used in numerous ways (Admissions 10-11, App. 11), and which has noninfringing uses both in sewage sludge digestion (*e.g.*, the *Greensboro* case) and in other fields (*e.g.*, as an air-lift pump for any liquid).

Because of the complexity of the fact situation here, until FMC identifies a *particular* sewage digestion process at a *particular* installation as being accused of infringement, as it did in the *Greensboro* case (a charge now entirely disposed of), a declaratory judgment suit would place an impossible burden upon any court trying to pass upon the validity and possible infringement of the patent in suit.

Far from conflicting with the holding of the Court of Appeals concerning the necessity of a charge of infringement, all the cases cited by petitioner are actually in ac-

* The only other authority besides *King Kup* and *Rhodes* by which petitioner purports to support its view on this point is 6 *Moore, Federal Practice*, ¶ 57.20 at 3120-21 (2d ed. 1965) (Pet. 8), but the paragraph in *Moore* referred to by petitioner relies essentially on the *Dewey & Almy* case, already distinguished above.

cord with that holding. Although the charge need not be made *directly* to the person accused, it is clear there must *always* be an *actual, outstanding, viable charge of infringement* to support jurisdiction in a declaratory judgment lawsuit.

C.

Petitioner Seeks To Have Well Established Rules of Declaratory Judgment Law Changed, Without Citing Any Reason Except Its Own Preference.

The fact is that petitioner is asking for an *advisory* opinion on a *hypothetical* question rather than requesting a declaration of rights involved in an actual justiciable controversy. And it is a well established rule of declaratory judgment law that such an opinion is barred by the Constitution of the United States and the Declaratory Judgments Act as well. *Aetna Life Insurance Co.* v. *Haworth,* 300 U. S. 227, 240; 81 L. Ed. 617, 621 (1936); *Cover* v. *Schwartz,* 133 F. 2d 541, 544 (2 Cir. 1943) *cert. denied,* 319 U. S. 748 (1943).

Every patent lawyer knows that there is a line beyond which his client may not go without being subject to a possible declaratory judgment action involving the client's patent. As is pointed out in Borchard, *Declaratory Judgments* 804 (2d ed. 1941), under the Declaratory Judgments Act a patentee:

> "... now by making *threats* and *charges,* exposes himself to an action at the hands of the alleged infringer for a declaratory judgment that the defendant's patent is invalid or, if valid, that the plaintiff is not infringing. By making *charges,* the patentee submits to an adjudication at the option of the alleged infringer."

This is a second well established rule of declaratory judgment law.

What petitioner seeks to do here in effect is to have the line defining a *threat* or *charge* of infringement changed (to include a letter offering licenses under the Forrest patent) simply in order that FMC will not be "free to select for its charge of infringement" a particular operation decided upon by it (Par. 16 of amended complaint, App. 6). For as we have seen, it is a third well established rule of declaratory judgment law that unless there is an actual charge of infringement by the patent owner, it is the patent owner who may decide when and if he will sue on his patent, and if so whom he will sue and (within the limitations of venue requirements) where he will sue.*

Petitioner has shown no reason why these three well established rules of declaratory judgment law should be abandoned simply to satisfy its preference that *it* should have the right to select the occasion and forum *it* would like to have, without regard to the fact that there is no outstanding charge by FMC (either against Walker or against any of its customers) that the patent in suit is infringed, nor any indication that there ever will necessarily be any such charge.

As a matter of fact, it is clear that there are many good reasons of logic and sound public policy why the established rules of declaratory judgment law should *not* be departed from here:

1. Any decision that might be entered in the present action would necessarily be on *a hypothetical set of facts.***

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* This is the practice that Walker criticizes as "piecemeal litigation against a series of selected customers of Walker" (Pet. 9).

** One may well ask:

> How could a court hope to determine the presence or absence of infringement of a process patent when neither the alleged infringer, nor the alleged infringing method, has been identified or described? Should a court be asked to engage in an extended exercise of judicial speculation that may well lead to a decision which is not necessarily applicable to any real facts at all?

2. To further compound the situation, since petitioner has asserted in its Answer to Interrogatory 14(B) (App. 13) that it is "*impossible* to list all specific operations that are issues in this litigation," any decision that might be entered in this action would in fact necessarily encompass *a very large number* of hypothetical sets of facts.

3. Even if the trial court in this action looked only at the Greensboro situation, there are *many other processes possible with Walker equipment at Greensboro* besides the process concerning which the judgment in that case was entered (Admission 11, App. 11).

4. Petitioner has further said in its Answer to Interrogatory 14(B) (App. 13) that it considers it "impossible to list all specific operations" of a "digester *employing plaintiff's equipment* which plaintiff asserts [are] in issue in this suit," and hence—contrary to the allegations in petitioner's amended complaint—there could obviously be in the present action *no final determination of the entire controversy* between these parties, *i.e.*, a decision "settling all controversies between the parties" or "which will be dispositive of the entire controversy" (Par. 16 of amended complaint, App. 6).

5. If petitioner were to argue that it is simply seeking a determination of *validity* of the Forrest patent and nothing more, this argument would not only run counter to the allegations of paragraphs 18-19 of the amended complaint and paragraphs A-C of the prayer thereof, but also counter to the well established rule that, in order to avoid the burden of unnecessary litigation, *the courts will not consider the question of validity in the absence of specific charges of infringement. Muskegon Piston Ring Co.* v. *Olsen*, 307 F. 2d 85, 88 (6 Cir. 1962), *cert. denied*, 371 U. S. 952 (1963) and *Cover* v. *Schwartz*, 133 F. 2d 541, 545 (2 Cir. 1943).

6. Keeping in mind the desirability of avoiding burden-

ing the courts with unnecessary litigation, it should be noted that the filing of a lawsuit against a process that represents only one of many possible uses of particular equipment, as at Greensboro, *does not necessarily create any implication at all about possible other lawsuits* against the many other possible uses of the same equipment. In the absence of a further charge of infringement by the patent owner against one of the other possible uses, it may indeed be totally unnecessary for the courts ever again to pass upon either the validity or possible infringement of the patent. The *burden of unnecessary litigation on the courts* is if anything emphasized by the fact that the patent owner here has already lost on the infringement issue in a suit it obviously expected to win, *i.e.*, the *Greensboro* case.

7. As admitted by petitioner, Walker's equipment may be operated in a sewage sludge digestion process in numerous ways (Admission 10, App. 11), including, among other things, variations in:

(a) The amount of digester gas employed;

(b) The length of time the "Gaslifter" digester stirrer is in operation;

(c) The times when the "Gaslifter" digester stirrer is in operation (*e.g.*, relative to the removal of sludge);

(d) Whether or not a second container is employed;

(e) Whether or not the second container is quiescent to allow sludge settling; etc.

FMC's description in Exhibit A to the amended complaint of the process to which its licensing program relates is a broad, general description, in which only two of the five variables just listed are mentioned (*i.e.*, elements (d) and (e) above),* yet the selection of various combinations of

* The FMC licensing letter (Ex. A to the amended complaint) characterizes the CRP accelerated sludge digestion process as:

> "... involving continuous gas recirculation to maintain homogeneous sludge in the digester, with settling of digested sludge in a second container."

these five (and other) variables is precisely what determines whether or not the resulting process infringes the claims of the Forrest patent. Thus, even if the description of the licensed process in the FMC letter were construed to constitute a "charge of infringement" (which a mere offer of a license has never been held to be), *that description would still not provide the particularity* which made it possible for the court to carry over an actual charge of infringement from one situation to another in the *Dewey & Almy, Millway Knitting, Girdler, King Kup* and *Rhodes Pharmacal* cases, discussed above.

8. To hold that a license offer that includes a description of the subject matter of a patent in broad, general terms only (as in Exhibit A to the amended complaint) constitutes an actual "charge of infringement" would *impose on the patent owner the risk of involvement in an unnecessary lawsuit,* while producing *no accompanying benefit to society* but *considerable disadvantage to the federal courts.*•

In addition to ignoring all the disadvantages we have just noted to the *changed* rule it argues for in its Petition, Walker has misstated the disadvantages it fears the *present* rule will work on its customers:

1. It is *not* true, as Walker suggests at page 9 of the Petition, that if a "first declaratory judgment suit [by one of Walker's customers] is decided adversely to FMC, it could sue another one of Walker's customers for infringement," without any restriction or limitation. The fact is that as to *any* specific process with respect to which FMC may in the future charge infringement and lose—just as is true with respect to the specific process that was passed on by the Court of Appeals for the Fourth Circuit in the *Greensboro* case—FMC will be limited in "virtually every instance" (Par. 6 of amended complaint, App. 3) by the doc-

• As explained in points 1-6 above.

trine of *res judicata* because of the full participation in and control of the litigation by Walker.

2. It is *not* true, as Walker suggests at page 10 of the Petition, that each of its customers will remain fearful of a patent infringement suit by FMC "[e]ven though each Walker customer to be sued obtains an adjudication of non-infringement in the same manner as did the City of Greensboro." The doctrine of *res judicata* will be applicable here just as explained in paragraph 1.

3. Finally, it is *not* true, as Walker asserts at page 9 of its Petition, that if FMC makes a direct charge of infringement against only one Walker customer at a time, "a declaratory judgment action could be sustained *only by the particular customer accused.*" In the event that FMC charges that any particular mode of operation of a sewage sludge digestion system is an infringement of its Forrest patent, all Walker customers practicing that process could bring declaratory judgment suits. The significant thing here is that (except for the Greensboro situation, which is now terminated) none of the very large number of specific processes possible with the Walker equipment has as yet been charged by FMC to infringe the Forrest patent.

Under our patent system, litigation is always possible, and there is certainly nothing wrong with a patentee filing suit to protect its patent against those who infringe it. Although the mere possibility of litigation may create concern on the part of Walker, this subjective feeling obviously does not create a justiciable controversy. Walker's assumptions, hopes, fears, beliefs, and concerns—regardless of how important they may be to Walker—are irrelevant on the objective question of whether or not there is here a present, outstanding, justiciable controversy.

As the leading legal scholar on the subject of declaratory judgments, Borchard, *Declaratory Judgments* 807 (2d ed.

1941), has said on the question of how a justiciable controversy comes into being:

> "In other words, the mere existence of the patent is not a cloud on title, enabling any *apprehensive* manufacturer to remove it by suit. It requires an assertion of right under the patent to place the alleged infringer in gear to join issue and challenge the title."

What petitioner seeks is *not* to have an important question of federal law *settled*, but rather to *unsettle* the established federal declaratory judgment law. But no reason has been shown that even suggests that the well established rules of declaratory judgment law which we have discussed above should be changed.

III.

THE HOLDING OF THE COURT OF APPEALS WAS CORRECT THAT WALKER'S INDEMNIFICATION AGREEMENTS AND THE CHARGE OF ACTIVE INDUCEMENT MADE AGAINST WALKER AT GREENSBORO IN A LAWSUIT NOW TERMINATED DO NOT CREATE A JUSTICIABLE CONTROVERSY HERE.

Petitioner makes two final arguments in seeking to establish a justiciable controversy here—the asserted legal significance of the indemnification agreements it frequently gives its customers, and the supposed survival of FMC's charge of inducement of infringement against Walker *beyond* the termination of the *Greensboro* lawsuit.

Whether taken separately or together, these points—contrary to the contentions of petitioner—do *not* create a justiciable controversy. Neither reason nor authority* suggests they do.

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* The only two cases relied upon by petitioner in support of these arguments are *Rhodes Pharmacal Co.* v. *Dolcin Corp.*, 91 F. Supp. 87 (S. D. N. Y. 1950) and *Girdler Corp.* v. *E. I. du Pont de Nemours & Co.*, 56 F. Supp. 871 (D. Del. 1944), which have been discussed and distinguished above.

A.

Indemnification Agreements With Third Parties.

Petitioner challenges the holdings of the District Court and the Court of Appeals on the question of Walker's lack of legal interest, and consequent lack of standing to sue, on the ground that even if there is no outstanding charge against it of active inducement of infringement, the patent indemnification agreements it gives its customers create a justiciable controversy here.

The District Court expressly rejected this argument when petitioner made it below, and held that Walker's indemnification agreements (Pet. App. 30):

> "'. . . merely increase Walker's *economic interest* in the outcome of any suit which FMC might bring against Walker's customers for patent infringement by the customers.'"

The Court of Appeals, citing *Aralac, Inc. v. Hat Corporation of America,* 166 F. 2d 286 (3 Cir. 1948), held that (Pet. App. 20):

> "'. . . Walker's interest is no more than an *economic interest,* which brings it within the *Aralac* rationale.'"

Walker argues here, as it did in the two Courts below, that the indemnification agreements it gives its customers bestow upon it a *legal interest* that warrants its maintenance of a declaratory judgment suit. The argument is erroneous.

We have shown that neither *hypothetical questions* concerning possible future charges of infringement against Walker customers nor *Walker's subjective fears and preferences* can create a justiciable controversy. By the same token, a justiciable controversy cannot be created by the *subjective feelings of concern of Walker's customers* (Pet. 5, 11-12) about possible liability resulting from possible

future litigation. If there is no actual justiciable controversy between FMC on the one hand and either Walker or its customers on the other, the mere formation of a contract between Walker and third parties cannot produce such a controversy.

It is only Walker who has said that any of its customers (other than Greensboro) are using Walker equipment in a manner that was apparently intended* to describe an infringement of the Forrest patent (Par. 15 of amended complaint, App. 5; Interrogatory 12(B), App. 12). As the Court of Appeals put it (Pet. App. 17):

> "*Walker* asserts that at least one of its customers, with which Walker has a patent suit indemnity agreement, has used, and is believed by *Walker* to continue to use, Walker's equipment in a process which apparently infringes the patent."

Walker tries, by use of ambiguous language in its Petition, to leave the impression that *FMC* has made it clear to the trade that it considers "*the* use of Walker's 'Gaslifter' device" to be an infringement of its Forrest patent (Pet. 11), as if any and every possible use of the device would be considered by FMC to be infringing. This assertion by Walker is entirely unsupported by the facts. The only use as to which FMC has made its views clear is the

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* The fact is that even Walker has not made any allegations detailed enough to permit them to be characterized as specific allegations of infringement of the Forrest patent. The only language used by Walker in this connection is in paragraph 15 of the amended complaint, where petitioner alleges that at least one of its customers has used and is believed to continue to use:

> "... a digester having a detention time over ten days and with settling of solids in the resulting sludge in a separate container."

This language is similar to, and every bit as broad and general as, the language used by FMC in Exhibit A to the amended complaint, which language, as we have seen above, is *not* specific enough to permit one to draw a conclusion from it one way or the other about infringement of the claims of the Forrest patent.

process employed at Greensboro, and there the Court of Appeals for the Fourth Circuit disagreed.

As is well known, patent "hold harmless" clauses are very common in procurement contracts in many areas of our economy. To hold that such clauses create a justiciable controversy by their mere existence would produce two undesirable results imposing serious administrative burdens on the federal courts. First of all, such a rule might very well result in a *flood of declaratory judgment lawsuits* filed by apprehensive competitors, or their customers, even though *no* charge of infringement by the patent owner was outstanding against either the competitors or their customers. Second, in any case relating to a process patent involving many possible uses of equipment (such as here), *each* individual lawsuit would in and of itself necessarily involve a *flood of hypothetical cases of possible infringement.*

The weakness of petitioner's argument that its indemnification agreements with third parties somehow create a *legal* interest vis-a-vis FMC, where there was none before, is confirmed by the fact that to support its position on this point Walker finds it necessary to rely on *incomplete* quotations from the opinion of the Court of Appeals below. After discussing Walker's argument that it *does* have a *legal* interest here (Pet. App. 19), the Court of Appeals held expressly that "Walker's interest is no more than an *economic* interest . . ." (Pet. App. 20). Despite this *explicit holding* and despite the *controlling importance* of the type of interest present (*i.e.*, whether merely economic, or in fact legal), the Petition declares—*without qualification or reservation*—that the majority opinion of the Court of Appeals "acknowledged" that "Walker was an *interested* party" (Pet. 6)! In a footnote near the end of the Petition, Walker even speaks of the "holding" by the Court of Appeals that "Walker has *an* interest"—again

without qualification or reservation—in support of an assertion by Walker in the body of the Petition that the parties here have "adverse *legal* interests" (Pet. 12)!

Obviously, a deliberate and explicit holding by the Court of Appeals that Walker's interest here is *economic* in nature cannot by some kind of legerdemain be transformed into *the exact opposite, i.e.,* a holding that the interest is *legal.*

B.

The Terminated Greensboro Lawsuit.

Petitioner seeks to buttress its reliance on the terminated *Greensboro* lawsuit by two statements—one irrelevant and the other incorrect.

First, Walker points out that it "continues to sell its 'Gaslifter' units, the *design* of which is substantially unchanged from those units sold to the City of Greensboro" (Pet. 11). *Design* is irrelevant. Since the Forrest patent covers a process, it is only *use* of the Walker equipment that is important.

Second, petitioner argues that "FMC's charge of inducement of infringement against Walker in the *Greensboro* case [is] an issue which is yet *unresolved*" (Pet. 4, 11, 12). This despite the fact that (1) the *Greensboro* case has been *finally terminated,* with a decision by the Court of Appeals for the Fourth Circuit that *there was no direct infringement of the Forrest patent by the process in use at Greensboro,* and (2) it is clear that there can be *active inducement* of infringement *only* if *direct infringement* has resulted from the accused acts. This follows from the very language of Sec. 271(b) of the Patent Act of 1952 which defines the tort, and it has been so held. *Haultau* v. *Kearney & Trecker Corp.,* 179 F. Supp. 490, 492 (E. D. Mich. 1959); *cf.*

Chicopee Manufacturing Corporation v. *Columbus Fiber Mills Co.*, 165 F. Supp. 307, 328 (N. D. Ga. 1958).

The Court of Appeals below was entirely correct in holding that (Pet. App. 18):

> "Whatever infringement charges were made in the Greensboro litigation were *resolved,* and the controversy between the parties *terminated,* by the judgment of the court of appeals [for the Fourth Circuit]."

Like hypothetical questions, charges that have become moot through a final court decision obviously cannot support a present, actual justiciable controversy.

CONCLUSION.

Petitioner has given no reason for the Court to exercise its certiorari jurisdiction in the present case. The Petition for writ of certiorari should be denied.

Respectfully submitted,

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RESPONDENT'S APPENDIX.

Additional Pertinent Constitutional Provisions and Statutes Involved.

U. S. Constitution, Article III, Section 2.

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime Jurisdiction;—to Controversies to which the United States shall be a Party;—to Controversies between two or more States;—between a State and Citizens of another State; between Citizens of different States;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

Patent Act of 1952, 35 U. S. C. § 271 (a), (b) and (c).

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

Pertinent Portions of Record Below.

Plaintiff's Amended Complaint.

(Filed—April 10, 1964.)

UNITED STATES DISTRICT COURT,

Northern District of Illinois,

Eastern Division.

Walker Process Equipment, Inc., *Plaintiff,* *vs.* F. M. C. Corporation *Defendant.*	Civil Action No. 64C86 Declaratory Judgment—U. S. Patent No. 2,777,815.

AMENDED COMPLAINT.

Count I

Now comes Walker Process Equipment, Inc. and for its Amended Complaint herein alleges:

1. Plaintiff, Walker Process Equipment, Inc., is a corporation of the State of Illinois, having its principal place of business at Aurora, Illinois.

2. Defendant, F.M.C. Corporation, is a Delaware corporation, having a place of business (Chicago Pump, Hydrodynamics Division) at 622 West Diversey Parkway, Chicago, Illinois, and regularly doing business there.

3. This is an action for a declaratory judgment, pursuant to Title 28 U.S.C., Section 2201, for the purpose of determining an actual controversy between the parties as to validity, infringement and enforceability of U. S. Letters Patent No. 2,777,815, entitled "Sewage Digestion Process", owned by defendant.

4. Plaintiff manufactures and sells for installation in

digesters of sewage treatment plants, "Gaslifter" digester stirrers. Defendant also sells equipment which stirs digesters.

5. Defendant's method of doing business under U. S. Letters Patent No. 2,777,815 is to sell equipment which can be used in the alleged patented method or otherwise, and to persuade potential customers of competing equipment manufacturers either that they should use such equipment according to the alleged method or that it is unsafe for them not to be free to do so, and to offer licenses at a substantial price.

6. By reason of the acts of the defendant, alleged in paragraph 5 above, some prospective customers of plaintiff refuse to risk involvement by purchasing plaintiff's "Gaslifter" digester stirrers until this controversy between plaintiff and defendant is resolved, and other such customers refuse to purchase plaintiff's equipment unless plaintiff furnishes to them "hold harmless" guaranties and covenants to defend such customers against infringement suits that might be brought by defendant on said patent. In virtually every instance of sale of its "Gaslifter" digester stirrers, plaintiff has been required to give and has given such guaranties and covenants.

7. Defendant has charged that plaintiff, which furnishes "Gaslifter" digester stirrers and furnishes indemnity agreements with respect thereto, and a contractor, which installs such equipment, have been guilty, by such acts, of actively inducing infringement by a corporate body which operates such equipment. Plaintiff has been required to furnish indemnity agreements to contractors installing "Gaslifter" digester stirrers as well as to the users thereof.

8. Plaintiff had supplied one of its said "Gaslifter" digester stirrers to the City of Greensboro, North Carolina and another to a contractor for the City of Greens-

boro, North Carolina for installation in digesters forming units in the sewage treatment plant of the City of Greensboro, North Carolina.

9. Pursuant to its practices, as alleged in paragraph 5 above, defendant offered a license at a substantial royalty to the City of Greensboro, North Carolina, and after that city had refused to buy such license, defendant threatened it with a suit and an injunction, and later brought suit against plaintiff and its customer, the City of Greensboro, North Carolina, for infringement of said Letters Patent No. 2,777,815.

10. The suit, Civil Action C-57-G-60, against plaintiff and its customer, the City of Greensboro, North Carolina, was brought on May 6, 1960 in the U. S. District Court for the Middle District of North Carolina, Greensboro Division, and charged the City of Greensboro with infringement and charged the plaintiff with actively inducing infringement of said Letters Patent No. 2,777,815.

11. In the course of proceedings in said suit, defendant asserted that this plaintiff, and not the City of Greensboro, was the real party in interest.

12. Pursuant to the "hold harmless" guaranty and covenant to defend contained in the contract between plaintiff and the City of Greensboro, North Carolina, plaintiff defended Civil Action C-57-G-60. In that action, the District Court held said patent valid and infringed. On appeal, the Court of Appeals for the Fourth Circuit reversed the judgment of the District Court, holding said patent not to have been infringed and expressly leaving undecided the question of validity. (*F. M. C. Corporation* v. *City of Greensboro,* 326 F. 2d 581).

13. Following the decision on appeal in the *Greensboro* case, defendant circulated a letter to consulting engineers inferring that the District Court's holding of valid-

ity was not affected by the Court of Appeals decision and that the holding of the Court of Appeals was that "Greensboro's specific processing departed from" the said Letters Patent No. 2,777,815. Defendant further advised of its "plan to continue our program of granting licenses to those who prefer to avail themselves of the advantages of the CRP accelerated sludge digestion process, involving continuous gas recirculation to maintain homogeneous sludge in the digester, with settling of digested sludge in a second container". A copy of defendant's letter of January 20, 1964 is attached hereto and marked "Exhibit A".

14. Although Exhibit A refers to "continuous gas recirculation", defendant has stated that not all intermittent introduction of gas escapes plaintiff's charge of being within the method of said patent. No process in which the introduction of gas is discontinued for as much as one-half hour a day can properly be deemed within said patent. Defendant has not made clear what operations that are not 100 per cent continuous are within its charge, and therefore, has cast doubt on the freedom from infringement of various intermittent operations performed by plaintiff's customers, for which plaintiff was required to, and did furnish an indemnity.

15. At least one of plaintiff's customers, whom plaintiff is obligated to defend and hold harmless, has within six years used, and is believed to continue to use, plaintiff's "Gaslifter" digester stirrers in a process involving continuous introduction of gas in a digester having a detention time over ten days and with settling of solids in the resulting sludge in a separate container.

16. The plaintiff has been required to issue numerous indemnity agreements covering operation of sewage disposal installations in various areas of the United States. Since the opinion of the Court of Appeals for the Fourth

Circuit in *F. M. C. Corporation* v. *City of Greensboro,* 326 F. 2d 581, the defendant has continued to charge that use of plaintiff's "Gaslifter" digester stirring equipment infringes said Letters Patent No. 2,777,815. Defendant has filed only two suits on the patent. Said two suits were that referred to above against the City of Greensboro, North Carolina, which used only intermittent stirring, and against the contractor (*Food Machinery and Chemical Corp.* v. *William Muirhead Construction Co.,* C-88-G-60, in the Middle District of North Carolina), which installed equipment at Greensboro, which suit was dismissed by Stipulation. Unless plaintiff is afforded relief by this declaratory judgment action, settling all controversies between the parties, defendant will be free to again file a patent infringement action in a jurisdiction remote from the Chicago area, where each of the parties has its principal office, and will be free to select for its charges of infringement an operation which does not, for decision, require resolution of either the broad question of infringement or the question of validity of said Letters Patent No. 2,777,815. Plaintiff is thereby subject to be required to defend a series of suits, no one of which will be dispositive of the entire controversy.

17. Said Letters Patent No. 2,777,815 is invalid for failure to meet conditions for patentability set forth in 35 U. S. C., Secs. 102, 103 and 112.

18. Said Letters Patent No. 2,777,815 is not infringed by any use of plaintiff's "Gaslifter" digester stirring equipment.

19. Defendant is precluded by reason of the judgment in the proceedings in *F. M. C. Corporation* v. *City of Greensboro,* Civil Action C-57-G-60, in the United States District Court, for the Middle District of North Carolina, Greensboro Division, from asserting that any use of

plaintiff's "Gaslifter" digester stirring equipment introducing gas intermittently is an infringement of said Letters Patent No. 2,777,815.

20. Defendant's conduct under said Letters Patent No. 2,777,815 constitutes or has constituted unclean hands, rendering such patent unenforceable by defendant until the effects of such conduct have been dissipated.

WHEREFORE plaintiff prays for a judgment

A. Declaring United States Letters Patent No. 2,777,815 invalid, not enforceable, and not infringed by process in which plaintiff's "Gaslifter" digester stirring equipment is being used or expected to be used, or by any use of plaintiff's "Gaslifter" digester stirring equipment.

B. Declaring that defendant is precluded by reason of the judgment in the proceedings in *F. M. C. Corporation v. City of Greensboro,* Civil Action C-57-G-60, in the United States District Court, for the Middle District of North Carolina, Greensboro Division, for asserting that any use of plaintiff's "Gaslifter" digester stirring equipment introducing gas intermittently is an infringement of said Letters Patent No. 2,777,815.

C. Enjoining and restraining defendant and its agents, servants, employees and attorneys, and those in active concert and participation with defendant from asserting, claiming or alleging that Letters Patent No. 2,777,815 is or would be infringed by use of plaintiff's "Gaslifter" digester stirring equipment.

D. Awarding plaintiff its costs, reasonable attorney's fees and such other and further relief as the Court may deem just and proper.

Count II

21. Plaintiff realleges the allegations of paragraphs 1 and 2 above as though herein set forth in full, and further alleges that the matter in controversy exceeds, exclusive of interests and costs, the sum of Ten Thousand Dollars ($10,000.00).

22. This Court has jurisdiction of the parties and of the subject matter herein by virtue of Title 28 U. S. C., Section 1332.

23. Plaintiff realleges the allegations of paragraphs 4-18, inclusive, as though herein set forth in full.

24. The defendant is guilty of unfair competition.

25. The defendant has employed Letters Patent No. 2,777,815 and other patents in unfair competition with plaintiff by the actions heretofore alleged and by charges of infringement and threats of suit.

26. The charges of infringement and the threats of law suits against plaintiff's customers in view of the invalidity of Letters Patent No. 2,777,815, and in view of the fact that it is not infringed by any use of "Gaslifter" digester stirring equipment have caused and will continue to cause plaintiff irreparable injury.

WHEREFORE plaintiff prays for a judgment

A. Enjoining and restraining defendant and its agents, servants, employees, attorneys, and those in active consert and participation with defendant, from further acts of unfair competition, as hereinablve(*sic*) alleged or otherwise.

B. Awarding plaintiff an accounting for all profits earned by defendant by virtue of its acts of unfair competition, as hereinablve (*sic*) alleged, and for all damages sustained by plaintiffs by virtue of said acts of unfair competition.

C. Awarding plaintiff the costs of this action, reasonable attorney's fees, and such other relief as the Court may deem just.

Walker Process Equipment, Inc.,
By /s/ Edward A. Haight
EDWARD A. HAIGHT,
Haight, Simmons & Hofeldt,
#2177-141 West Jackson Blvd.
Attorney for Plaintiff

Exhibit A to Plaintiff's Amended Complaint.

(Letterhead of)
FMC Corporation
Hydrodynamics Division. Chicago Pump
622 West Diversey Parkway, Chicago 14, Illinois
Area Code: 312, Phone: 327-1020

Cable: Chipumpco. Teletype: 312-222-0216

January 20, 1964

To: Consulting Engineers

Re: Greensboro "CRP" Patent Suit

The Appellate Court has now ruled in the Greensboro suit involving our "CRP" accelerated sludge digestion process patent, number 2,777,815.

The Appellate Court decision was limited to the single issue of infringement at Greensboro, North Carolina. The Appellate Court reversed the prior holding of infringement and said that Greensboro's specific processing departed from the Forrest (CRP) patent.

On the important issue of validity of our patent, the Appellate Court specifically refrained from considering the issue of validity, which the District Court had previously upheld.

We plan to continue our program of granting licenses to those who prefer to avail themselves of the advantages of the CRP accelerated sludge digestion process, involving continuous gas recirculation to maintain homogeneous sludge in the digester, with settling of digested sludge in a second container.

Very truly yours,

/s/ Milton Spiegel
Milton Spiegel
General Manager

/s/ Tom H. Forrest
Tom H. Forrest
Manager of Digestion Equipment

Pertinent Requests for Admissions.

(Filed by Defendant April 17, 1964.)

and

Walker's Answers Thereto.

(Filed by Plaintiff May 4, 1964.)

Request 10: Digestion systems employing plaintiff's "gaslifter digester stirrers" may be operated in numerous ways (the term "ways" as used herein refers to various possible combinations including, *inter alia,* the amount of digester gas employed by the "gaslifter digester stirrer", the length of time that the "gaslifter digester stirrer" is in operation, the times when the "gaslifter digester stirrer is in operation" (e.g. relative to the removal of sludge) whether or not a second container is employed, whether or not the second container is quiescent to allow sludge settling, etc.).

Answer: Admitted. Plaintiff makes clear, however, that it does not admit that all of the variations listed are realistic possibilities in any particular installation.

Request 11: The method of operation employed by the City of Greensboro in connection with its gaslifter digester stirrer (during the period charged infringed in the Greensboro suit) is but one of numerous methods (or "ways" as defined in Request number 10) which can be employed with plaintiff's said digester stirrers.

Answer: Admitted, assuming the words "charged infringed" were intended to be "charged to infringe," and assuming that the request was not intended to imply that there was only one method employed by the City of Greensboro.

Request 12: The holding of non-infringement by the Court of Appeals in the suit involving the City of Greens-

boro related to a specific form of operation, i.e. a specific "way" of operation as defined above in Request number 10.

Answer: Admitted, except that plaintiff does not admit that there was but a single form of operation employed by the City of Greensboro or involved in the Court of Appeals decision.

Pertinent Interrogatories.

(Filed by Defendant April 17, 1964.)

and

Walker's Answers Thereto.

(Filed by Plaintiff May 4, 1964.)

Interrogatory 12 (B): State the name of plaintiff's customer referred to in paragraph 15 of the amended complaint and set forth the basis upon which plaintiff alleges that said customer has operated its plant in the manner set forth in paragraph 15 of the amended complaint. List and identify all documents and other writings, together with whatever other information plaintiff may have which substantiates the method of use as set forth in paragraph 15 or attach copies of such documents and other writings or information if more convenient.

Answer: Plaintiff cannot at present designate any customers believed to be still using their Gaslifter digester stirrers as indicated in said paragraph 15. The cities of Aurora, Illinois and Rockford, Illinois are believed to have so used them. Documents noted are those known to defendant in the Greensboro litigation:

For Aurora: the documents upon which plaintiff based its chargs (*sic*), PX 48 B-1-48 B-5;

For Rockford: the depositions taken by plaintiff in

Rockford and the related exhibits and records thereto and the attached excerpt from the specifications of the Rockford plant.

Interrogatory 13(B): With regard to the allegation in paragraph 16 of the amended complaint to the effect that defendant has continued to charge that the use of plaintiff's equipment infringes said Letters Patent No. 2,777,815, state the names and addresses of all persons who have been so charged since the opinion of the Court of Appeals for the Fourth Circuit in the City of Greensboro case and list all documents and other writings and all other information available to plaintiff in connection therewith or attach copies thereof if more convenient.

Answer: Plaintiff is unable to fully answer Interrogatory 13(B) since it inquires about actions of defendant which are known to the defendant rather than to plaintiff. Plaintiff contends that the letter of January 20, 1964 addressed to consulting engineers by defendant (Exhibit A to the Amended Complaint), by implication charges infringement of the patent in suit by all of plaintiff's customers whose representatives received this letter and who are using or have used an operation within the designation of paragraph 4 of said letter. Plaintiff does not have a list of all persons to whom such letter was distributed.

Interrogatory 14(B): States the specific form of operation of a digester employing plaintiff's equipment which plaintiff asserts is in issue in this suit.

Answer: Defendant's past broad assertions, never withdrawn, make it impossible to list all specific operations that are issues in this litigation. Any operations defendant will on the record make clear it does not consider within its patent are not such issues.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. [redacted] 212

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FMC CORPORATION,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

PETITIONER'S REPLY BRIEF.

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THE BUNTHORP-WARREN PRINTING COMPANY, CHICAGO

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. 1394

WALKER PROCESS EQUIPMENT, INC.,
Petitioner,

vs.

FMC CORPORATION,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

PETITIONER'S REPLY BRIEF.

I. INTRODUCTION.

Respondent's lengthy brief emphasizes the difficulties confronting Petitioner and demonstrates the length to which FMC will go to avoid adjudication of its patent. By setting up its process patent as an untouchable, FMC is permitted to maintain a monopolistic practice in the sale of its unpatented apparatus with the courts unwittingly participating in furthering Respondent's clever, but insidious, scheme. Whether or not FMC should be allowed to continue its practice unabated is a matter of national import because of the widespread abuses of patents as economic weapons which will result.

It is evident from Judge Swygert's dissenting opinion in this case (Pet. App. 21)* that Walker has a sufficient interest, based on its pleaded allegations to seek relief under the Declaratory Judgment Act.

The need for this Court to exercise its certiorari jurisdiction is epitomized in this case not only to resolve the aforementioned issue, but also to resolve the conflict that exists between the various circuits as to what standard of conduct must be followed by a patentee who seeks to avoid adjudication of his patent.

II. THERE IS A CONFLICT BETWEEN THE HOLDINGS OF THE VARIOUS COURTS OF APPEALS.

On page 1 of FMC's brief, the assertion is made that no conflict exists between the holdings of various circuits. This is not so. The Sixth Circuit, as well as an earlier, but recent, decision of the Seventh Circuit, has held that practices, such as employed by FMC in the instant case, provide the basis for a declaratory judgment action, contrary to the holding in the instant case by the Court of Appeals for the Seventh Circuit.

Specifically, in *E. W. Bliss Co.* v. *Cold Metal Process Co.*, 102 F. 2d 105 (6th Cir. 1939) the Court of Appeals for the Sixth Circuit concluded that the conduct of a process patentee, in making threats to customers of a mill manufacturer, would support a declaratory judgment action by the mill manufacturer who sought both a declaration as to the validity of the patents in question and an adjudication that the declaratory judgment plaintiff's mills did not infringe any of the patentee's patents. The patentee's con-

* Throughout this brief, petitioner's appendix will be referred to as (Pet. App. ....); Respondent's brief will be referred to as (Res. Br. ....); Plaintiff-Petitioner's appendix in the court below will be (Pl. App. ....).

tention, 102 F. 2d at p. 108, that its principal patent claims were process claims was of no avail.

In *National Coupling Co.* v. *Press-Seal Gasket Corp.*, 323 F. 2d 629 (7th Cir. 1963) the patentee had written a customer of the declaratory judgment plaintiff to the effect that the use of a gasket, purchased from the declaratory judgment plaintiff, when installed on concrete pipe, constituted infringement of the patentee's patent. The patent was directed to the combination of a pipe structure and a gasket, and the plaintiff sold the gasket to pipe manufacturers who completed the combination. Upon appeal from dismissal of the complaint on the basis that plaintiff's gasket was a staple article of commerce suitable for non-infringing use, the Court of Appeals for the Seventh Circuit reversed the lower court decision. The court stated at page 633:

> "National Coupling [declaratory judgment plaintiff] should have the opportunity to vindicate itself of the charge that it is a contributory infringer. Furthermore, since Press-Seal has put the validity of the patent in issue, National Coupling should have the right to challenge the patent. Of the two questions, validity and infringement, 'validity has the greater public importance.' *Sinclair & Carroll Co.* v. *Interchemical Corp.*, 325 U. S. 327, 65 S. Ct. 1143, 89 L. Ed. 1644 (1945)."

Thus, as exemplified by the *Bliss* case, *supra*, confusion and conflict exist not only between the various circuits as to what charge or conduct by a patentee is required to support a declaratory judgment action but also between decisions emanating from the Seventh Circuit, as evidenced by the *National Coupling* decision, supra.

III. THE CHARGES EXPRESSLY MADE BY FMC AGAINST WALKER IN THE GREENSBORO SUIT HAVE NEVER BEEN WITHDRAWN OR RESOLVED AND A JUSTICABLE CONTROVERSY EXISTS, NOT MERELY A HYPOTHETICAL SET OF FACTS.

FMC attempts to negate the fact that it expressly charged Walker with contributory infringement by blandly averring that the charge is moot because the court of appeals in the *Greensboro* case found there was no infringement (Res. Br. 22-23).

FMC's inapt statement that only a hypothetical set of facts is involved is also misleading. In the *Greensboro* suit, Walker was actually charged with inducing infringement, such charge having been dismissed from the suit and not adjudicated. Furthermore, Walker continues to sell the same "Gaslifter" sewage digestion apparatus that it sold at Greensboro. It has sold the apparatus to municipal customers who use it in a process which could be charged to infringe FMC's patent, and Walker has given indemnification contracts to such purchasers. There have been threats, to enforce the patent, directed to Walker's customers. In fact, the City of Aurora has been identified as employing Walker's equipment in a process which is allegedly covered by FMC's patent (Pl. App. 23-24). These circumstances have given rise to a factual situation in which the Seventh Circuit Court of Appeals has given relief in a Declaratory Judgment Action.

In the footnote on page 4 of Respondent's brief, FMC, in endeavoring to make what it considers to be "necessary" corrections of the facts, contends that Petitioner's equipment can be used for non-infringing uses and that this point "must be kept in mind." What FMC conveniently overlooks is the fact that the defense of non-infringing use is not available to the patentee who has

made the charge of contributory infringement but rather only to the alleged contributory infringer.

In this light, the *National Coupling* case, cited supra, should be considered, where the Court, at page 632, declared:

> "Had there been a trial on the merits, plaintiff [National Coupling], in order to absolve itself of the charge of contributory infringement, might have chosen to attempt a demonstration that its product is a staple article or commodity of commerce suitable for substantial noninfringing use. But that would have been an affirmative defense to the charge of contributory infringement made by Press-Seal [patentee] against National Coupling. It would have been available *only* to National Coupling as a means of vindication of the charge. It may not be employed by Press-Seal to keep the charge of contributory infringement alive and at the same time immunize itself from a suit that challenges the charge of infringement and the validity of its patent. Both of these issues were invited by Press-Seal when it wrote the letter to American-Marietta."

A review of FMC's letter (Pl. App. 9) will show that these same issues were invited by FMC when it wrote the aforementioned letter.

IV. IT IS NOT THE "MERE MAINTENANCE OF A LICENSING PROGRAM" WHICH GIVES RISE TO A CONTROVERSY BUT THE MANNER IN WHICH RESPONDENT CARRIES OUT ITS PROGRAM AND THE ADVERSE EFFECT ON PETITIONER'S SALES ACTIVITIES WHICH CAUSES THE CONTROVERSY.

FMC's licensing program is like a Portuguese Man O' War, which, while appearing innocent on the surface, has long tentacles which sting those who come in contact with them. The subsurface effect of FMC's "mere" licensing program has been to force Walker to give indemnity agree-

ments to its customers who have been placed on notice of FMC's patent postion by both FMC's so-called license offers and its aggressive enforcement attitude as exemplified by the *Greensboro* case. It also causes Walker to lose customers who fear litigation even when indemnified.

An analysis of the much-discussed FMC letter (Pl. App. 9) will show this letter was an effective threat. It was not a newsletter advising of the outcome of the *Greensboro* lawsuit, nor a simple license offer. It was a veiled threat which brought to the attention of the recipient the limited nature of the *Greensboro* decision, the implication of the validity of the Forrest patent in suit, and the implied threat that the recipient had better take a license unless it wanted to be placed in the position of an infringer of the Forrest patent.

This letter was not sent to sophisticated students of declaratory judgments but was sent to engineering firms who obviously had to interpret it as a threat to their peaceful practice of installing sewage systems.

FMC assumes an undeserved, self-righteous attitude by discussing in its brief the ways that infringement of the Forrest patent can be avoided (Res. Br. 17-18). These voluntary statements, while affording general directions that any lawyer would investigate in interpreting the claims, were not spelled out in any letters that FMC dispatched to the legally naive trade. Since FMC has gone off the record with statements of how to avoid infringement, Walker may perhaps indicate that no prospective customer has been shown to have been given a flat statement as to how to avoid infringement. The argument of FMC in the *Greensboro* case shows the real FMC behind their self-raised halo.

Accordingly, FMC's threats had their calculated effect, viz., a doubt was raised as to whether or not the Forrest

patent was infringed with the result that the recipient of the letter (Pl. App. 9) either joined with the patentee on terms dictated by the patentee or lived under a threat of suit and insisted on indemnity arrangements before dealing with others than the patentee in the purchase of unpatented equipment.

These letters to the trade couched in the language of Exhibit A (Pl. App. 9) constitute threats and make the patent owner's position clear with respect to a manufacturer's customer. As the Court said in *Girdler Corp.* v. *E. I. DuPont de Nemours & Co.*, 56 F. Supp. 871, 875 (D. Del. 1944):

> "... the result is that the declaratory judgment plaintiff, as manufacturer, finds his competition threatened by such patent owner's assertions; and the other result is the customer's fear of suit against itself. When this happens, a real controversy exists over the scope of the patent as between the declaratory judgment plaintiff *vs.* the owner of the patent."

V. CONCLUSION.

This is a matter of law which requires consideration by this Court in order to settle the differences between the circuits because, otherwise, other patentees will be encouraged wherever they have a method patent to procure a monopoly contrary to *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661 (1944). Through the sale of unpatented equipment FMC has made cities believe that they need a license under a vague and indefinite method patent and then, by subtle language and avoidance of a frank and open charge, prevents anyone from testing the validity of the patent. If FMC is successful in making cities buy only its equipment, it has a perfect, court-proof

method of procuring a monopoly of unpatented commodities through clever use of a method patent.

Respectfully submitted,

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